Ketchikan Gateway Borough

Comprehensive Annual Financial Report

For the Fisal Year Ended June 30, 2015

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KETCHIKAN GATEWAY BOROUGH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2015

Prepared by:

Department of Finance

Cynna Gubatayao, Director
Maureen Crosby-CPA, Controller
1900 First Avenue, Suite 118
Ketchikan, Alaska 99901

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Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2015

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INTRODUCTORY SECTION

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KETCHIKAN GATEWAY BOROUGH

1900 First Avenue, Suite 118, Ketchikan, Alaska 99901
Cynna Gubatayao, Finance Director
phone 907/228-6620 fax 907/247-6698

Office of the Borough Finance Department

December 29, 2015

Honorable Mayor, Members of the Borough Assembly,
and the Citizens of the Ketchikan Gateway Borough

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough for the year ended June 30, 2015. The CAFR is designed for the public to understand the operational accountability with the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

The CAFR was prepared by the Ketchikan Gateway Borough Finance Department and subsequently audited by BDO USA, LLP. The accuracy of the data in this financial report, and the completeness and the fairness of the presentation, including all disclosures, is the responsibility of management. To provide a reasonable basis for making these representations, a comprehensive internal control framework has been established that is designed to protect the Borough's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the Borough's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we attest that to the best of our knowledge and belief this financial report is complete and reliable in all material aspects. The Borough's financial statements were also audited by BDO USA, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Borough's financial statements for the year ended June 30, 2015 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Borough's MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE KETCHIKAN GATEWAY BOROUGH

Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 650 miles north of Seattle, Washington, and 200 miles south of Juneau, Alaska's capital. Its boundaries extend around Revillagigedo Island, Gravina Island, Pennock Island and other smaller islands with the defined boundaries. The Borough is situated at the southern end of the

16.8-million-acre Tongass National Forest (the Tongass). The Tongass is the largest national forest in the United States. Harvesting and promoting the natural resources of the Tongass provide employment opportunities, directly or indirectly for the Borough. The City of Ketchikan and the City of Saxman are incorporated cities within the Borough.

The Borough has operated under the Assembly-Manager form of government since 1974. The Ketchikan Gateway Borough is organized as a second-class Borough. The Mayor and seven Assembly Members are elected by the voters at-large for staggered three-year terms. Local elections are held annually in October. The Assembly is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing the Borough Manager, Borough Clerk, and Borough Attorney.

The School District is reported as a discretely presented component.

The Borough operates an enterprise fund for the Ketchikan International Airport including the airport ferry, and operates an enterprise fund for non-areawide services for wastewater. The Borough is responsible for property tax assessments, tax collection, and schools. Fire protection, emergency medical services, road maintenance, docks, and water utility service are provided through service areas. The transit system and Gateway Aquatic and Recreation Center, and parks are operated within the General Fund. Other areawide services include planning, platting, animal protection, and economic development. Other non-areawide services include library services and solid waste.

The annual budget serves as the foundation for the Borough's financial plan and control. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the Ketchikan Gateway Borough Assembly. Departments are required to submit requests for appropriation to the Borough Manager. The Borough Manager uses these requests as a basis for developing a proposed annual budget that is submitted to the Borough Assembly by the first regular Assembly meeting in May. Upon adoption of the budget, the Manager may authorize the transfer of funds within a fund. The transfer of money between funds requires an action of the Assembly for ratification. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and all major special revenue funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor governmental funds with appropriated budgets, this comparison is presented in the governmental fund subsection of this report.

IMPLENTATION OF GASB 68

This is the Borough's first comprehensive annual financial report prepared under the new GASB 68 guidelines. GASB 68 requires a liability for pension obligations, or Net Pension Liability (NPL), to be reported on the balance sheets of the plan and participating employers. The State of Alaska's Public Employees' Retirement System (PERS) and Teachers' Retirement System are cost-sharing multi-employer plans, and under the new GASB rules, the NPL must be allocated among the plans and all employers in the plans, based on legal responsibility for payment of the NPL. Legal responsibility for payment of the NPL is assumed to lie with the employers in a plan unless a 'Special Funding Situation' exists. The State of Alaska contends there is no special funding situation, and therefore, the State has no legal responsibility for any portion of the NPL for participating employers, except in its role as an employer. Management of the Borough contends the provisions of Alaska Statutes 39.35.280 and 14.25.085 create a Special Funding Situation on the part of the State.

In recognition of the disagreement regarding whether or not a Special Funding Situation exists, the State of Alaska prepared schedules identifying, for each participating employer, the employer and non-employer portions of NPL. For external accounting and reporting, the Borough and its component unit the

Ketchikan Gateway Borough School District have recorded only the employer's portion of NPL as calculated by the State, and have not recorded the non-employer portion.

However, Management of the Borough also contends that the State's calculations for the employer portion of NPL are materially flawed. For PERS, Management of the Borough argues that the Borough's and School District's legal responsibility for the NPL is only the portion of the statutorily capped employer contribution that is greater than the normal cost rates for pension and other post-employment benefits (OPEB). The School District's legal responsibility for the TRS NPL is arguably none.

At June 30, 2015, the amount of net pension liability recognized, with reservations, by the Borough and School District, and the related State proportion, were as follows:

		Borough	School District	Total
PERS Employer	$	6,567,341	5,524,103	12,091,444
PERS NonEmployer (State)		5,516,963	5,638,720	11,155,683
		12,084,304	11,162,823	23,247,127
TRS Employer		-	8,293,841	8,293,841
TRS NonEmployer (State)		-	45,806,260	45,806,260
		-	54,100,101	54,100,101
Total Employer		6,567,341	13,817,944	20,385,285
Total NonEmployer (State)		5,516,963	51,444,980	56,961,943
	$	**12,084,304**	**65,262,924**	**77,347,228**

GASB Statement No. 75, which takes effect for the Borough's and School District's fiscal year 2018, requires the recognition of liabilities related to other postemployment benefits. Implementation of GASB 75 is reasonably expected to increase the Borough's and School District's pension related liabilities by approximately 20%.

ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (the GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ketchikan Gateway Borough for its CAFR for the fiscal year ended June 30, 2014. This is the ninth consecutive year that the Borough has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievements Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the CAFR requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Tracey Benner
Brenda Bjork
Marva Lee Otos
Claire Kelly
Brenda Secrest
Pam Srna
Charlanne Thomas

Respectfully submitted,

Cynna Gubatayao
Finance Director

Maureen Crosby, CPA
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ketchikan Gateway Borough
Alaska

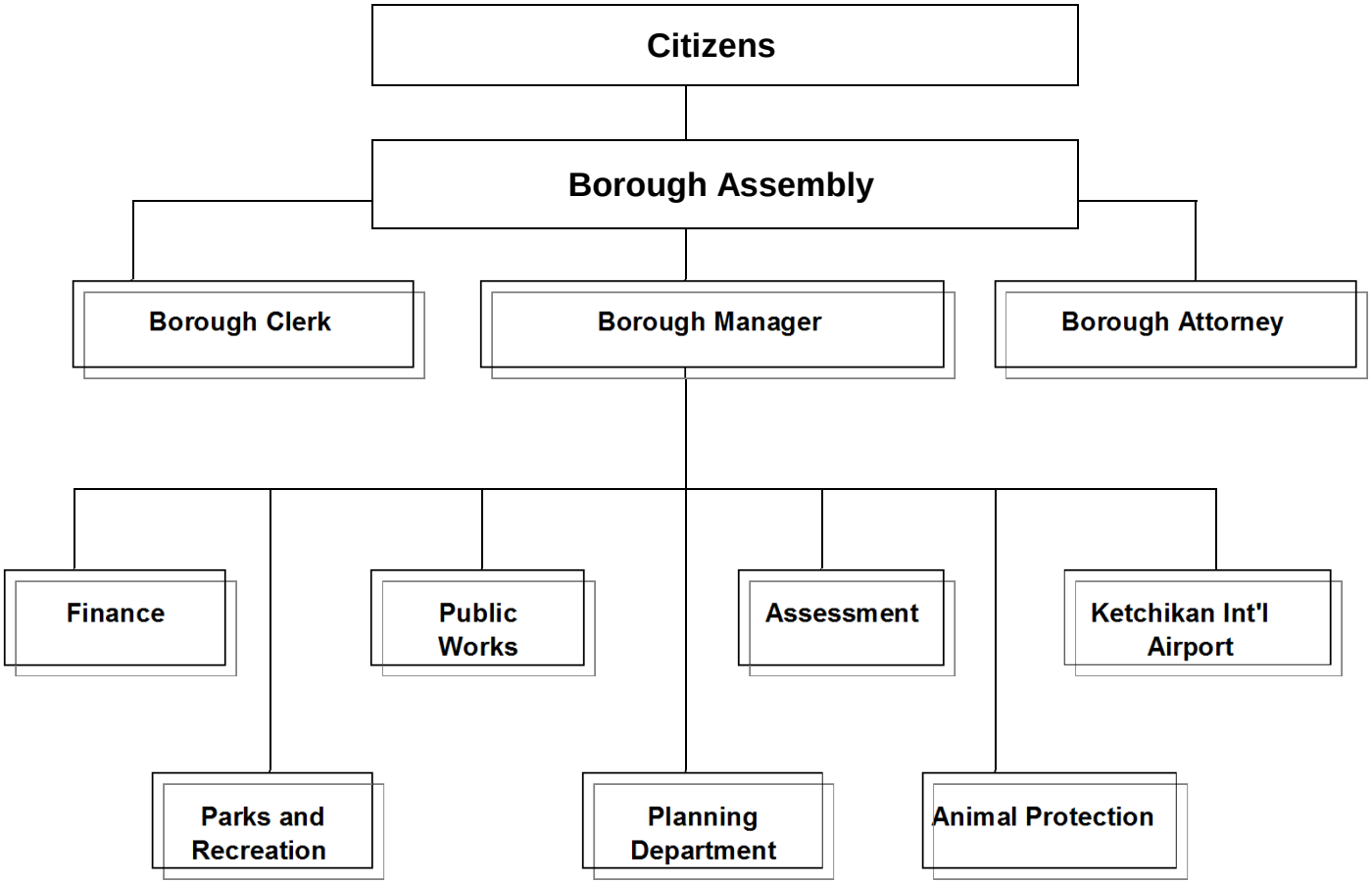
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2015



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2015

MAYOR AND ASSEMBLY

Mayor	David Landis
Vice-Mayor	Glen Thompson
Assembly Member	Alan Bailey
Assembly Member	John Harrington
Assembly Member	Mike Painter
Assembly Member	Todd Phillips
Assembly Member	Bill Rotecki
Assembly Member	Jim Van Horn

The legislative power of the Ketchikan Gateway Borough is vested in an assembly of seven members. This assembly meets in regular session every first and third Monday of the month in the Assembly Chambers located in the White Cliff Building at 1900 First Avenue, Ketchikan, Alaska.

BOROUGH STAFF

Borough Manager	Dan Bockhorst
Assistant Borough Manager	Deanna Garrison
Borough Attorney	Scott A. Brandt-Erichsen
Borough Clerk	Kacie Paxton
Director of Animal Protection	Eddie Blackwood
Director of Assessment	Jeff Hurt
Director of Finance	Cynna Gubatayao
Director of Planning	Chris French
Airport Manager	Mike Carney
Director of Public Works	Alex Peura
Parks and Recreation Supervisor	Wendy Miller

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FINANCIAL SECTION

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Ketchikan Gateway Borough

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Land Trust, School Bond Capital Improvements, Economic Development Assistance Program, and State and Federal Grants Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-A to the financial statements, in 2015 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Correction of an Error

Also as discussed in Note 2-A to the financial statements, in 2015 the Borough determined that it should have recorded a receivable from its School District component unit related to the prior year health insurance deficit. Both the Borough and the School district recorded a prior period adjustment to reflect this correction. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 30 and the Public Employees Retirement System Schedule of Net Pension Liability, and the Schedule of Pension Contributions, and the IBEW Pension Contributions on pages 94-96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ketchikan Gateway Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2015 and certain

Supplementary Information, continued

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Ketchikan Gateway Borough as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 24, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of Ketchikan Gateway Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ketchikan Gateway Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 29, 2015

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KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2015

Within this section of Ketchikan-Gateway Borough, Alaska (the Borough) annual financial report, the Borough's management is pleased to provide this narrative discussion and analysis of the financial activities of the Borough for the fiscal year ended June 30, 2015. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Borough's net position exceeded its liabilities by $170,066,119 for the fiscal year reported.

- Total net position is comprised of the following:

  (1) Net investment in capital assets of $149,434,129 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $6,819,220 is restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $13,812,770 indicates that the Borough has available assets to maintain the Borough's continuing obligations to citizens and creditors.

- The Borough's governmental funds reported total ending fund balances of $30,416,855 this year. This compares to the prior year ending fund balance of $33,981,867 showing a decrease of $3,565,012 during the current year.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $10,301,525 or 53.9% of total General Fund expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the Borough's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Borough also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The Borough's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Borough's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position.* This is the government-wide statement of position presenting information that includes all of the Borough's assets and liabilities, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough as a whole is improving or deteriorating. Evaluation of the overall health of the Borough would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Borough infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities,* which reports how the Borough's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Borough's distinct activities or functions on revenues provided by the Borough's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Borough that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, library services, public services, fire and EMS, parks and recreation, public works, and education. Business-type activities include the airport and the wastewater systems.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Borough uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Borough's most significant funds rather than the Borough as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Borough has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Borough's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. The budgetary comparison statements for the General Fund, the Land Trust Fund, the School Bond/Capital Improvements Fund, and the Economic Development Assistance Program Fund are presented as basic financial statements. There are no budgetary comparison statements for the State & Federal Grants Fund or for the Capital Projects Fund. State and Federal grants are not budgeted for, since funds are not normally appropriated by the agency until after the completion of the local budget process. Grants from other agencies are approved and accepted by the Assembly by resolution. Major Capital Projects are also not budgeted through the normal budget process because they are budgeted and approved by the Assembly when contracts are awarded.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Borough charges customers a fee. The Borough has four proprietary funds. Two are classified as enterprise funds and two are internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Borough organization for the airport operations and sewer utilities.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Borough's budget presentations, other than those funds referenced above. These statements and schedules demonstrate compliance with the Borough's adopted and final revised budget. As discussed, the Borough reports major funds in the basic financial statements.

Financial Analysis of the Borough as a Whole

The Borough's net position at fiscal year-end is $170,066,119. The following table provides a summary of the Borough's net position.

(This page continued on the subsequent page).

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Assets:						
Current assets	$ 35,175,647	$ 40,058,191	629,000	70,494	35,804,647	40,128,685
Receivable from Component Unit	416,538	-	-	-	416,538	-
Capital assets	164,928,197	165,538,562	28,156,141	29,131,474	193,084,338	194,670,036
Total Assets	200,520,382	205,596,753	28,785,141	29,201,968	229,305,523	234,798,721
Deferred Outflows						
Loss on refunding	524,933	555,408	-	-	524,933	555,408
Related to pensions	494,413	-	212,639	-	707,052	-
Total Assets and Deferred Outflows	$ 201,539,728	206,152,161	28,997,780	29,201,968	230,537,508	235,354,129
Liabilities:						
Current liabilities	$ 9,948,656	$ 10,894,098	375,221	292,941	10,323,877	11,187,039
Long-term liabilities	47,377,137	46,707,274	2,009,888	65,301	49,387,025	46,772,575
Total Liabilities	57,325,793	57,601,372	2,385,109	358,242	59,710,902	57,959,614
Deferred Inflows						
Property tax revenues	1,736	-	-	-	1,736	-
Related to pensions	530,564	-	228,187	-	758,751	-
Total Liabilities and Deferred Inflows	57,858,093	57,601,372	2,613,296	358,242	60,471,389	57,959,614
Net Position:						
Net investment in capital assets	121,277,988	121,446,896	28,156,141	29,131,474	149,434,129	150,578,370
Restricted	6,819,220	7,148,989	-	-	6,819,220	7,148,989
Unrestricted (deficit)	15,584,427	19,954,904	(1,771,657)	(287,748)	13,812,770	19,667,156
Total Net Position	$ 143,681,635	148,550,789	26,384,484	28,843,726	170,066,119	177,394,515

Approximately 21.2% or $5,662,904, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. $407,652 is restricted for debt in the Land Trust Fund, $3,543,492 is restricted for capital projects, $1,706,436 is restricted for commercial passenger vessel related projects, and $5,324 is restricted for debt service.

The largest component of the Borough's governmental total assets is invested in capital assets. Capital assets account for 82.3% of total assets and deferred outflows and net investment in capital assets accounts for

84.4% of total net position. The Borough's capital assets include land, Borough buildings and improvements, School District buildings and improvements, vehicles, transit buses, and infrastructure. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 97.1% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for these funds. 106.7% of the Borough's total net position is included in capital assets. The Borough's total net position decreased by $7,328,396 during fiscal year 2015, including the effect of restatement for the adoption of GASB 68. Net investment in capital assets for governmental activities decreased by$168,908 and net investment in capital assets for business type activities decreased by $975,333.

The current ratio for governmental activities is 3.6 to 1 and 1.68 to 1 for business type activities. The ratios for fiscal year 2014 were 3.7 to 1 for governmental activities and .24 to 1 for business type activities.

Changes in Net Position

The Borough's total net position decreased $7,328,396 in 2015. The net position for governmental activities decreased $4,869,154 and the net position for business-type activities decreased $2,459,242. $4,606,386 of the decrease for governmental activities is attributed to the restatement of the Beginning Net Position as a result of the implementation of GASB 68 as described in Note 2-A, and $1,981,137 for business-type activities. The following table provides a summary of the changes in the Borough's net position:

(This page continued on the subsequent page).

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program:						
Charges for services	$ 7,719,556	7,625,377	5,350,496	4,998,364	13,070,052	12,623,741
Operating grants	3,181,765	4,072,710	7,386	73,994	3,189,151	4,146,704
Capital grants	5,828,520	4,503,237	487,172	1,865,802	6,315,692	6,369,039
General:						
Taxes	17,966,296	17,927,043	-	-	17,966,296	17,927,043
Other	3,916,102	4,031,270	167,786	236,474	4,083,888	4,267,744
Total revenues	38,612,239	38,159,637	6,012,840	7,174,634	44,625,079	45,334,271
Program Expenses:						
General government	4,037,970	3,514,098	-	-	4,037,970	3,514,098
Fire and EMS	1,545,356	1,376,751	-	-	1,545,356	1,376,751
Water treatment & distribution	324,110	318,826	-	-	324,110	318,826
Library services	405,199	422,570	-	-	405,199	422,570
Parks and recreation	3,340,866	3,338,139	-	-	3,340,866	3,338,139
Public works	1,027,166	1,001,996	-	-	1,027,166	1,001,996
Public services	8,890,872	5,342,481	-	-	8,890,872	5,342,481
Transit	2,221,390	2,164,006	-	-	2,221,390	2,164,006
Education	15,015,738	15,357,268	-	-	15,015,738	15,357,268
Interest	2,254,374	2,310,634			2,254,374	2,310,634
Airport	-	-	5,665,297	5,679,424	5,665,297	5,679,424
Wastewater	-	-	1,098,072	881,576	1,098,072	881,576
Total expenses	39,063,041	35,146,769	6,763,369	6,561,000	45,826,410	41,707,769
Excess (deficiency)	(450,802)	3,012,868	(750,529)	613,634	(1,201,331)	3,626,502
Transfers	(272,424)	(184,881)	272,424	184,881	-	-
Change in net position	(723,226)	2,827,987	(478,105)	798,515	(1,201,331)	3,626,502
Net Position Beginning of Year as Restated (Note 2-A)	144,404,861	145,722,802	26,862,589	28,045,211	171,267,450	173,768,013
Net Position End of Year	$ 143,681,635	148,550,789	26,384,484	28,843,726	170,066,119	177,394,515

GOVERNMENTAL REVENUES

The Borough is heavily reliant on property and sales taxes to support governmental operations and capital. Property taxes of $8.4 million accounted for approximately 38.2% of the total general revenues. Sales taxes provided 39.1% of the Borough's total governmental tax revenues. The Borough recognized $49,504 in investment income for fiscal year 2015. The total income was from market changes in investment accounts, and interest charged on internal loans to other funds. Also, note that program revenues cover 43.3% of governmental operating expenses; this is a decrease of 10.6% over the prior year. As a result, the general economy and the Borough businesses have a major impact on the Borough's revenue streams. In addition, the cruise industry has a major impact on the Borough's economy as we explain later in this document

GOVERNMENTAL FUNCTIONAL EXPENSES

Public services account for 22.76% of our total costs. This is 66.42% increase over the cost for public services for fiscal year 2014. The increase over fiscal year 2014 was due to a payment from the Commercial Passenger Vessel fund to the City of Ketchikan for a drive down dock and design costs for improvements to the dock at Hole in the Wall, and a payment from the Economic Development Fund to the City of Ketchikan for the Whitman Lake Hydroelectric Project. Library services account for 1.03% of our total cost, compared to 1.21% for fiscal year 2014. A total of 38.44% of our resources were used to fund the school district, compared to 43.69% for fiscal year 2014. General government costs were 10.34% of total cost. The total cost of services for all governmental functions increased by $3,916,272 or 11.14% from fiscal year 2014. The total net cost of governmental functions for fiscal year 2015 increased by $3,387,755 or 17.8%. There was a reduction in the net cost of providing general government, water treatment and distribution, library services, and education and an increase in the net cost of providing all other services. The net cost of services increased from fiscal year 2014 due to the implementation of GASB 68 and payments made to the City of Ketchikan as described above. The government's taxpayers and the Borough's other general governmental revenues fund 57.2% of governmental activities as compared to 53.9% for fiscal year 2014. The Borough received $452,602 or 1.19% more in revenue and expended $3,916,272 or 11.14% more in fiscal year 2015 than in 2014.

This table presents the cost of each of the Borough's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Borough's taxpayers by each of these functions.

(This page continued on the subsequent page).

	Total Cost of Services		Net Cost (Benefit) of Services
	Amount	%	Amount
General government	$ 4,037,970	10.34%	2,958,393
Fire and EMS	1,545,356	3.96%	1,094,842
Water treatment & distribution	324,110	0.83%	(170,942)
Library services	405,199	1.03%	405,199
Parks and recreation	3,340,866	8.55%	2,564,906
Public works	1,027,166	2.63%	988,148
Public services	8,890,872	22.76%	6,107,823
Transit	2,221,390	5.69%	540,202
Education	15,015,738	38.44%	6,048,308
Interest	2,254,374	5.77%	1,796,321
Total	$ 39,063,041	100%	22,333,200

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The primary enterprise fund of Ketchikan Gateway Borough is the Airport Enterprise Fund. This fund is used to account for the operations of the Ketchikan International Airport. The Airport Fund is responsible for the operation and maintenance

e of the airport facilities and ferry system. Ketchikan Gateway Borough owns and operates the terminal buildings and the airport ferries and leases the Ketchikan International Airport from the State of Alaska. (The lease with the State of Alaska is discussed at Note 3-G).

Operating revenues for the Airport Enterprise Fund increased by $292,510 or 6.6% and operating expenses decreased $173,716 or 3.0%. Operating grants decreased by $135,131 and is attributable to the implementation of GASB 68.

Personnel services decreased by $114,510 or 3.6% over 2014 and supplies and services decreased by $150,071 or 10.5%. Insurance costs decreased by $28,562 or 11.2% and the calculated depreciation increased by $119,427 or 12.2%. The increase in calculated depreciation is due to the addition of new assets at the end of fiscal year 2014 that were subject to depreciation for the first time in fiscal year 2015.

The Wastewater Enterprise Fund (WEF) is used to account for the operations of Ketchikan Gateway Borough's wastewater utility and sludge pumping program. The operating position of the WEF decreased during fiscal year 2015. Net position decreased by $442,024 or 4.3% from fiscal year 2014. Operating revenues increased by $59,622 or 9.9%, attributable to an increase in fees and customers. The operating expenses increased by $153,912 or 16.6%, attributable to greater enforcement of the Borough's sludge pumping program. There was no change in the "recovery of expenditures from other funds" compared to fiscal year 2014. Personnel services increased by $44,483 or 25.9%. Supplies and services increased by $110,411 or 28.2% and insurance and depreciation decreased nominally.

Financial Analysis of the Borough's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $30,416,855. Of this year-end total, $9,995,524 is unassigned. Fund balances for prepaid items in the amount of $138,424 are classified as nonspendable. Legally restricted fund balances in the amount of $9,053,941 including $3,481,349 for capital projects, $2,245,844 for commercial passenger vessel impact, $15,286 for dock improvements, $82,028 for library operations, $145,426, for public safety and water, $2,753,117 for recreation, and $330,891 for road maintenance. Fund balances are committed in total for $9,167,824; consisting of $1,432,124 for interfund loans, $3,101,621 for land management, and $4,634,079 for education. Fund balances totaling $2,061,142 are assigned for economic development.

The total ending fund balances of governmental funds shows a decrease of $3,565,012 or 10.4% less than the prior year, primarily attributable to changes in the Economic Development Assistance Program fund, discussed in more detail on the next page. Fund balances for interfund loans and prepaid items decreased from fiscal year 2014. Restricted fund balance decreased for capital projects and commercial passenger vessel impacts. The assigned balance for economic development also decreased.

Major Governmental Funds

General Fund - The General Fund is the Borough's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by $2,510,857, a 32.2% increase largely due to higher than anticipated revenues as discussed below. FY 2015 expenditures and transfers out were less than the amended budget by $613,819.

All general government departments with the exception of the Finance department under spent their projected budgets. A favorable variance in revenue collections of $1,863,392 and a favorable variance in expenditures of $613,819 increased the projected net change in fund balance by $2,469,811 to $2,510,857. Sales tax collections were $44,690 less than fiscal year 2014, but $318,783 less than budgeted for fiscal year 2015. Property tax revenues were $33,906 more than budgeted. Property tax collections increased by $163,784 or 2.5% from fiscal year 2014.

Intergovernmental revenues were $1,828,682 more than budgeted and were $960,850 more than fiscal year 2014. The increase from fiscal year 2014 is due to an increase in PERS relief funding and National Forest Receipts not being budgeted. Management anticipated that the National Forest Receipts program would not be continued or that payments would not be made to municipalities. Revenues received from Parks and Recreation were $125,960 more than budgeted. This favorable variance is due to the continued popularity of a buddy pass program.

State revenue sharing of $629,205 was received in fiscal year 2015. The State Legislature provided $2,551,377 in PERS relief to Ketchikan Gateway Borough and $1,608,073 of the total relief was recognized in the General Fund.

Total General Fund expenditures increased by $607,593 or 3.3% over fiscal year 2014. General Fund expenditures increased from fiscal year 2014, but in total, underspent the fiscal year 2015 budget by $613,819.

Land Trust Fund – During fiscal year 2015, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to $625,439. $1,007,767 was transferred in from a Federal Grant Fund. The funds received in the Federal Grant Fund were for the purchase of South Point Higgins Beach. The beach was purchased in fiscal year 2009 and the expenditure was recorded in the Land Trust Fund. When the Borough received the grant funds in fiscal year 2015, they were transferred to reimburse the Land Trust Fund for the purchase. The Land Trust Fund expended $324,329 for public services. The Land Trust Fund transferred $352,535 to the Debt Service Fund for principal and interest payments on the certificates of participation for the White Cliff School Building, which houses the Borough's administrative offices, and transferred $221,069 back to the General Fund for the budgeted office space rent for governmental offices in the White Cliff building. The net change in fund balance was a $735,273 increase or 23.5%.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2015, the only revenues credited were $10,980 for PERS relief and $1,000 as a final payment for a previous lease. The EDAPF expended $3,593,569 for public services and transferred $120,000 to the General Fund. The majority of the public service expenditure was a payment in the amount of $2,500,000 to the City of Ketchikan for the Whitman Lake Hydroelectric Dam Expansion project. Credit card processing charges of $55,153 were also charged to the EDAPF. The net change in the fund balance was a decrease of $3,701,679 or 57.6%. At current spending levels, the EDAPF will be exhausted by FY 2017.

State & Federal Grants Fund – During the current fiscal year, the Borough received $2,263,264 in State and Federal grants. The Borough expended $586,294 on public services, $669,204 towards governmental capital projects, and transferred $1,007,766 to the Land Trust Fund for the repayment of the purchase of South Point Higgins Beach.

Capital Projects Fund – Construction continues on several school facility projects. Total construction costs were $2,344,905 and $16,878 for public services. Investment earnings of $1,930 were received on the unspent bond proceeds.

School Bond/Capital Improvements Fund - This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax approved by the voters to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding. This fund recognized $1,698,074 in sales tax revenue, $2,517,988 in debt reimbursement revenues, and $5,948 in penalties and interest. This fund transferred out $3,639,346 for G.O. bond principal and interest payments into Debt Service Funds, $162,852 to the Recreation CIP Fund, $82,600 to the General Fund for insurance on school buildings, and $156,911 to Capital Projects Funds to close three funds related to completed construction projects. This fund also expended $41,282 for public service projects and $21,255 for a school building capital project. The ending fund balance increased by $202,271 or 4.56%.

The Proprietary Funds – The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Factors concerning the finances of Ketchikan Gateway Borough's proprietary funds have already been addressed in the discussion of the Borough's business-type activities.

Budgetary Highlights

The General Fund – Total taxes collected were $322,762 less than budgeted with sales tax showing the largest decrease. Taxes reported include: real property, automobile and boat, sales, and penalties and interest. The Borough recognized $1,828,682 more than budgeted for intergovernmental revenues due to the

receipt of National Forest Receipts and increases in PERS relief transit operating grants, PILT, and revenue sharing. In total, revenues and transfers in exceeded the budget by 9.4%.

The expenditure side of the original budget for the General Fund was increased $735,233 during 2015, of which $966,467 was related to the recognition of increased PERS relief. Budget amendments increased the spending for all departments in the General Fund.

In total, the Borough under expended the total General Fund's amended budget by $613,819.

Capital Assets and Debt Administration

Capital Assets

The Borough's net investment in capital assets, for governmental and business-type activities as of June 30, 2015, was $164,928,197 and $28,156,141 respectively. The total change in net book value of capital assets was a decrease of .3% for governmental and a 3.3% increase for business-type activities. The overall change was a 1.0% decrease for the Borough as a whole. See Note 3-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land	$ 37,733,137	$ 36,409,257	-	-	37,733,137	36,409,257
Construction in progress	364,519	1,460,138	310,132	2,656,500	674,651	4,116,638
Total non-depreciable	38,097,656	37,869,395	310,132	2,656,500	38,407,788	40,525,895
Depreciable assets:						
Buildings and improvements	153,206,007	151,151,477	15,316,187	14,401,469	168,522,194	165,552,946
Vehicles, ferry and equipment	7,913,420	6,964,295	16,395,980	14,503,834	24,309,400	21,468,129
Wastewater assets	-	-	14,110,812	14,095,450	14,110,812	14,095,450
Infrastructure	15,049,432	14,075,514	-	-	15,049,432	14,075,514
Total depreciable assets	176,168,859	172,191,286	45,822,979	43,000,753	221,991,838	215,192,039
Less accumulated depreciation	49,338,318	44,522,119	17,976,970	16,525,779	67,315,288	61,047,898
Book value - depreciable assets	126,830,541	127,669,167	27,846,009	26,474,974	154,676,550	154,144,141
Percentage depreciated	28%	26%	39%	38%	30%	28%
Book value - all assets	$ 164,928,197	165,538,562	28,156,141	29,131,474	193,084,338	194,670,036

At June 30, 2015, the depreciable capital assets for governmental activities were 28% depreciated. This is comparable to fiscal year 2014. This comparison indicates that the Borough is replacing its assets at the same rate as they are depreciating which is a positive indicator.

The balance remaining in construction-in-progress for business-type activities is for Ketchikan International Airport projects.

With the Borough's business type activities, 39% of the asset values were depreciated at June 30, 2015 compared to 38% at June 30, 2014. The depreciation for FY 15 increased 10.8% for governmental activities and increased 5.1% for business-type activities.

The Borough owns the school district's land and buildings, which is approximately 53.0% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2015 included the following:

General Governmental Assets:

- Contributed capital in the form of 28.26 acres of land capitalized at a value of $994,600. The land, referred to as the OceansAlaska Uplands Parcel, was deeded to Ketchikan Gateway Borough by the State of Alaska through Patent No. 23393.

- Construction was completed on the North Tongass Fire Station No. 6 paving project in the amount of $68,700 and funded through a USDA grant and North Tongass Service Area funds.

- Demolition was completed on the Mike Smither's pool and capitalized at a cost of $781,730 and funded through G.O. Bond proceeds.

- Resurfacing on the Houghtaling Field was completed and capitalized at a cost of $225,284 and funded through G.O. Bond proceeds.

- Resurfacing on the Dudley Field was completed and capitalized at a cost of $490,640 and funded through G.O. Bond proceeds.

- Building improvements to the Pat Wise Animal Shelter Roof were completed and capitalized at a cost of $113,464 and funded through the General Fund.

- Electrical upgrades were completed to Dudley Field and capitalized at a cost of $189,295 and funded through the Recreation CIP fund.

- Upgrades to the telephone, auditorium lighting and sound systems at Kayhi were completed and capitalized at a cost of $401,317 and funded through G.O. Bond proceeds.

- Refinishing was completed on the Kayhi gym floors at a cost of $73,784 and funded through G.O. Bond proceeds.

- Improvements were completed on the Kayhi HVAC upgrades at a cost of $736,836 and funded through G.O. Bond proceeds.

- Construction was completed on the Fawn Mountain Arctic Entryway at a cost of $90,430 and was funded through G.O. Bond proceeds.

- Construction on the Fawn Mountain Changing Facility and Restrooms was completed at a cost of $638,698 and funded through G.O. Bond proceeds.

- Construction was begun on the Valley Park Bus Pullout project at a cost of $22,519 and funded through G.O. Bond proceeds.

- Construction was begun on a Biomass Heating Project at Kayhi at a cost of $94,497 and funded through G.O. Bond proceeds and the School Bond CIP fund.

- Two 2015 pickup trucks were purchased for the Public Works Department at a total cost of $53,316 and funded through the CPV fund.

- A 2015 Ram ambulance was purchased for the South Tongass Fire Department at a cost of $147,444 and funded through the South Tongass Service Area.

- A new cot was purchased for the 2015 Ram ambulance at a cost of $15,025 and funded through the South Tongass Service Area.

- A 35 foot 2015 Gillig bus was purchased for the Transit department at a cost of $382,734 and was funded through Federal FTA and Alaska Mental Health Trust grants and local funds.

- A 2015 pickup was purchased for the Animal Protection department at a cost of $29,284 and was funded through the General Fund.

- Upgrades to the Borough's Website and Agenda Management were completed at a cost of $43,261 and funded through the General Fund.

- A SCADA System was purchased by the Public Works Department to be used for the South Tongass Water Division at a cost of $270,231 and funded through State DEC, State Designated Legislative, and Homeland Security grants and South Tongass Service area funds.

Enterprise Funds:

- Construction was completed on Airport Parking Lot improvements on Gravina in the amount of $1,892,143 and funded through a State Designated Legislative grant.

- Airport renovations were completed at the Airport terminal in the amount of $907,889 and funded through State Designated Legislative grants.

- Construction was begun on the Airport Terminal Roof Replacement in the amount of $245,067 and funded through State Designated Legislative grants.

- Construction was begun on the Airport Terminal Biomass Heating Project in the amount of $65,065 and funded through a Federal Biomass grant and a State Designated Legislative grant.

- A Wastewater 10k Grinder was purchased at a cost of $15,364 and funded through the Wastewater Enterprise fund.

Long-term Debt

The Borough currently reports three types of long-term debt: general obligation bonds, certificates of participation, and compensated absences.

During the year, the Borough issued $2,185,000 retired $5,560,000 of its existing G.O. bonds, and $140,000 of certificates of participation.

See Note 3-H for additional information about the Borough's long-term debt.

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
General obligation bonds	$40,430,000	43,805,000	-	-	40,430,000	43,805,000
Certificates of participation	4,155,000	4,295,000	-	-	4,155,000	4,295,000
Compensated absences	645,579	688,495	224,818	221,614	870,397	910,109
Unamortized premium	1,824,863	2,001,501	-	-	1,824,863	2,001,501
Unamortized loss on refunding	(524,933)	(555,408)	-	-	(524,933)	(555,408)
Total	$46,530,509	50,234,588	224,818	221,614	46,755,327	50,456,202

As discussed in Note 3-I to the financial statements, the Borough participates in the Alaska Public Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. The implementation of this statement resulted in the Borough recording opening balance adjustments to reflect the opening balance pension liabilities and related accounts and to decrease the opening net position for both governmental and business-type activities. See Note 2-A for the opening net position adjustments.

Economic Conditions Affecting the Borough

Tourism Industry

Ketchikan's tourism industry is expected to experience between 800,000 to 850,000 cruise ship visitors. In calendar year 2014, 812,950 cruise passengers visited Ketchikan. For purposes of the Commercial Passenger Vessel (CPV) Excise Tax Fund, it is conservatively estimated that 800,000 CPV excise taxpaying passengers will visit Ketchikan in calendar year 2015. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

Mining Projects

Niblack Project

In 2012, the Borough Assembly authorized a Memorandum of Understanding with Niblack Project, LLC, a copper-zinc-gold-silver prospect in an advanced exploration phase of development located approximately 38 miles by boat from the Ketchikan International Airport Reserve.

In 2014, the Alaska Legislature granted authority to the Alaska Industrial Development and Export Authority to issue bonds, not to exceed $125 million, to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, an associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island.

At this time, the Niblack project is not progressing due to funding and market issues.

Bokan-Dotson Ridge

The 2014 Legislature also granted authority to the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Ucore Bokan-Dotson Ridge rare earth element project approximately 40 miles west of Ketchikan. The principal amount of the bonds provided by the Authority for the Bokan-Dotson Ridge rare earth element project may not exceed $145 million.

In May 2015, Ucore announced favorable findings arising out of the deeper exploratory drilling conducted during the 2014 field season. The company upgraded and increased the mineral resource estimates for the project.

Marine Projects

Ward Cove

In the spring of 2012, the operating interests of the Ketchikan Shipyard, one of Ketchikan's largest employers, was sold by Alaska Ship and Drydock, Inc., to Vigor Industrial, LLC (Vigor). The Borough Assembly endorsed the proposed sale with the expectation that Vigor's greater financial capacity would serve the economic development interests of the community. Since then, State and Federal grants have funded $41 million in additional leasehold improvements to the property. In fiscal year 2015, the State of Alaska awarded a $100 million contract for two Alaska class ferries to be built in Ketchikan.

In 2010, the State of Alaska acquired ownership of upland and tideland properties in Ward Cove from the Ketchikan Gateway Borough consisting of 9.5 acres of uplands and 20.5 acres of tidelands. The State subsequently contracted for a master plan and feasibility study of the acquired property and refurbished an existing building into new office space and storage areas, now being used for the marine engineering staff. Alaska Marine Highway System (AMHS) management and vessel operations staff continue to occupy an adjacent building.

Plans provide for the relocation of all Ketchikan based AMHS management and engineering functions to the new office space. Plans also call for working and layup berths for AMHS vessels. The Ward Cove berthing facility will ultimately provide a functional replacement for the AMHS South Berth facility that is presently sited adjacent to the Ketchikan Shipyard facility. The South Berth facility can then be utilized for shipyard purposes.

An AMHS feasibility study document outlines various phases and costs. The estimated project costs for the development of all desired, including space for a NOAA vessel, are in excess of $30 million and a phased approach is required to accommodate funding limitations.

Project development efforts are currently separated into the following primary phases:

- Phase 1A: Design, Permitting, Dredging and Uplands Development - $7 million.
- Phase 1B: Marine Facilities (AMHS Working Berth and NOAA berth) - $20 million.
- Phase 1C: Terminal Building, AMHS Passenger Amenities & Uplands Paving - $3 million.

Current project development efforts are focused on Phase 1A which includes most of the project permitting, design, offshore dredging needs and some upland development work. Phase 1A is specifically structured to meet the current funding of $7.5 million.

US Coast Guard

Plans call for replacement of the two 110-foot Island Class Patrol Boats stationed at the Ketchikan Coast Guard Base (*Naushon* and *Chandeleur*) with two 154-foot Sentinel Class Cutters (see Sentinel Class Cutter paper). USCG officials have confirmed plans to place the two larger cutters in Ketchikan during the first or second quarter of Federal Fiscal Year 2017.

The larger vessels require 22 crewmembers each (versus 16 each for the 110-foot vessels) and additional onshore support personnel.

A $29.7 million construction project to accommodate the vessels at the Ketchikan Coast Guard Base is nearly three-quarters complete. The project is expected to be finished by October 15, 2015. Efforts are underway to reach an agreement with NOAA to allow the NOAA Ship *Fairweather* to moor at the Ketchikan USCG facilities. Coast Guard officials expressed the belief that there was ample pier space at Ketchikan to accommodate the *Fairweather*. The ship-repair facilities available at the Ketchikan base made the option of use of the Ketchikan base by the *Fairweather* even more appealing.

Fiscal Challenges at the State Level Impact Borough

Debt Reimbursement for School Facilities

The 2015 Legislature imposed a five-year moratorium on new municipal debt for school construction, additions to schools, and major rehabilitation projects that qualify for partial reimbursement from the State

The Ketchikan Gateway Borough School District has identified capital needs in excess of $12.5 million during that five-year moratorium.

Once the moratorium ends, the level of partial reimbursement by the State for new school-related debt will drop by 28.6% to 33.3% (depending on nature of project) compared to pre-moratorium levels.

The Borough currently has $22,667,500 in general obligation bonded indebtedness for schools and FY 2016 expected debt reimbursement from the State is expected to be $2,558,553. In the past, when the State has experienced fiscal difficulties, it has underfunded the debt reimbursement payment program. This occurred in 1983, 1986, 1987, 1988, 1989, 1990, and 1991.

State Revenue Sharing

A growing number of municipal officials in Alaska are concerned that the State Revenue Sharing program will end within a few years due to the fiscal struggles of the State.

The Ketchikan Gateway Borough receives about $600,000 annually in State Revenue Sharing. That amounts to nearly one-half-mill (45/100ths of one mill) in areawide property tax proceeds.

Closing of State Recorder's Local Office

On July 1, the State Recorder's Office in Ketchikan closed. The Borough is now providing this service to avoid the complete loss of services locally.

Reduction in Funding for Wastewater Grants

The State has cut back significantly on available program grants for critical facilities. One example is funding for wastewater facilities construction.

Significant Cuts in State Capital Budget

As shown in the Table below, during the five years from FY 2011 to FY 2015, the Ketchikan House District received an average of $26.7 million in State General Fund appropriations in the State Capital Budget.

For FY 2016, Ketchikan received $0 in State General Fund appropriations in the State Capital Budget. The Ketchikan House District did receive $49 million in federal funds in the FY 2016 State Capital Budget, all of which are for transportation projects:

State Capital Budget

Fiscal Year	State General Fund*	Federal/ Other*	Total*
2011	$ 3.7	12.2	15.9
2012	33.7	4.6	38.3
2013	60.8	1.4	62.2
2014	26.3	22.4	48.7
2015	9.1	8.5	17.6
2016	-	49.0	49.0

* $(millions)

Reductions in State spending will have a trickle-down effect on all merchants from grocers to fuel distributors to retail sales. A contraction by the State causes a contraction down the line.

Contacting the Borough's Financial Management

This financial report is designed to provide a general overview of the Borough's finances, comply with finance-related laws and regulations, and demonstrate the Borough's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Borough's Finance Director at 1900 First Avenue, Suite 118, Ketchikan, Alaska, 99901. This report and others are available on the Borough's web site at www.kgbak.us.

Contacting the Ketchikan Gateway Borough School District (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District's Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District's annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available at their administrative office: Pouch Z, Ketchikan, Alaska 99901, or on the School District web site at www.kgbsd.org.

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Ketchikan Gateway Borough, Alaska
Statement of Net Position
June 30, 2015

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current Assets				
Cash and investments	$ 20,413,212	523,497	20,936,709	1,347,871
Restricted cash and investments	5,662,904	-	5,662,904	-
Prepaid items	138,424	33,042	171,466	-
Receivables	8,088,521	945,047	9,033,568	1,060,973
Receivable from trust fund	-	-	-	27,604
Internal balances	872,586	(872,586)	-	-
Inventory	-	-	-	25,022
Total Current Assets	35,175,647	629,000	35,804,647	2,461,470
Noncurrent Assets				
Longterm Receivables:				
Receivable from component unit	416,538	-	416,538	-
Capital assets:				
Nondepreciable capital assets	38,097,655	310,132	38,407,787	354,857
Depreciable capital assets, net	126,830,542	27,846,009	154,676,551	481,779
Total Noncurrent Assets	165,344,735	28,156,141	193,500,876	836,636
Total Assets	$ 200,520,382	28,785,141	229,305,523	3,298,106
Deferred Outflows				
Loss on refunding	524,933	-	524,933	-
Related to pensions	494,413	212,639	707,052	1,412,401
Total Assets and Deferred Outflows	201,539,728	28,997,780	230,537,508	4,710,507
Liabilities				
Current Liabilities				
Accounts payable	791,313	185,224	976,537	134,382
Accrued salaries and benefits	12,040	-	12,040	1,839
Intergovernmental payable	3,542,518	-	3,542,518	-
Accrued interest payable	629,366	-	629,366	-
Due to component unit	250,739	-	250,739	-
Payable to agency fund	-	-	-	13,300
Deposits	93,568	-	93,568	-
Claims payable	259,406	-	259,406	-
Unearned revenue	99,127	-	99,127	43,921
Compensated absences payable	645,579	189,997	835,576	-
General obligation bonds payable	3,480,000	-	3,480,000	-
Certificates of participation payable	145,000	-	145,000	-
Total Current Liabilities	9,948,656	375,221	10,323,877	193,442
Long-Term Liabilities				
Compensated absences	-	34,821	34,821	489,852
Self insurance payable	-	-	-	416,538
Net pension liability	4,592,274	1,975,067	6,567,341	13,817,944
General obligations bonds payable, including unamortized premium	38,726,887	-	38,726,887	-
Certificates of participation payable, including unamortized premium	4,057,976	-	4,057,976	-
Total Long-Term Liabilities	47,377,137	2,009,888	49,387,025	14,724,334
Total Liabilities	57,325,793	2,385,109	59,710,902	14,917,776
Deferred Inflows				
Property tax revenues	1,736	-	1,736	-
Related to pensions	530,564	228,187	758,751	1,159,736
Total Liabilities and Deferred Inflows	57,858,093	2,613,296	60,471,389	16,077,512
Net Position				
Net investment in capital assets	121,277,988	28,156,141	149,434,129	836,636
Restricted:				
Capital projects	1,246,628	-	1,246,628	-
Commercial passenger vessel impact	2,245,844	-	2,245,844	-
Dock improvements	15,286	-	15,286	-
Library operations	82,028	-	82,028	-
Public safety and water	145,426	-	145,426	-
Recreation	2,753,117	-	2,753,117	-
Road maintenance	330,891	-	330,891	-
Unrestricted (deficit)	15,584,427	(1,771,657)	13,812,770	(12,203,641)
Total Net Position	$ 143,681,635	26,384,484	170,066,119	(11,367,005)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government								
Governmental Activities								
General government	$ 4,037,970	-	84,977	994,600	(2,958,393)	-	(2,958,393)	-
Fire and EMS	1,545,356	253,670	178,844	18,000	(1,094,842)	-	(1,094,842)	-
Water treatment & distribution	324,110	251,863	14,665	228,524	170,942	-	170,942	-
Library services	405,199	-	-	-	(405,199)	-	(405,199)	-
Parks and recreation	3,340,866	775,960		-	(2,564,906)	-	(2,564,906)	-
Public works	1,027,166	-	39,018	-	(988,148)	-	(988,148)	-
Public services	8,890,872	1,559,619	215,664	1,007,766	(6,107,823)	-	(6,107,823)	-
Transit	2,221,390	200,588	1,131,162	349,438	(540,202)	-	(540,202)	-
Education	15,015,738	4,677,856	1,059,382	3,230,192	(6,048,308)	-	(6,048,308)	-
Interest	2,254,374	-	458,053	-	(1,796,321)	-	(1,796,321)	-
Total Governmental Activities	39,063,041	7,719,556	3,181,765	5,828,520	(22,333,200)	-	(22,333,200)	-
Business-Type Activities								
Airport	5,665,297	4,694,448	7,386	487,172	-	(476,291)	(476,291)	-
Wastewater	1,098,072	656,048	-	-	-	(442,024)	(442,024)	-
Total Business-Type Activities	6,763,369	5,350,496	7,386	487,172	-	(918,315)	(918,315)	-
Total Primary Government	45,826,410	13,070,052	3,189,151	6,315,692	(22,333,200)	(918,315)	(23,251,515)	-
Component Unit								
Ketchikan Gateway Borough School District	$ 40,513,054	183,012	10,304,379	1,288,858				$ (28,736,805)
General Revenues								
Property taxes					$ 8,359,993	-	8,359,993	-
Sales taxes					8,553,791	-	8,553,791	-
Payment in lieu of taxes					1,052,512	-	1,052,512	-
Grants and entitlements not restricted to specific programs					3,466,541	167,786	3,634,327	23,241,685
E-Rate					-	-	-	102,542
Primary government appropriation					-	-	-	7,899,000
Investment earnings					49,504	-	49,504	66
Miscellaneous					400,057	-	400,057	270,057
Total General Revenues					21,882,398	167,786	22,050,184	31,513,350
Transfers					(272,424)	272,424	-	-
Total General Revenues and Transfers					21,609,974	440,210	22,050,184	31,513,350
Change in Net Position					(723,226)	(478,105)	(1,201,331)	2,776,545
Net Position Beginning of Year as Restated (Note 2-A)					144,404,861	26,862,589	171,267,450	(14,143,550)
Net Position End of Year					$ 143,681,635	26,384,484	170,066,119	(11,367,005)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2015

		General	Land Trust	School Bond Capital Improvements	Economic Development Assistance Program
Assets					
Cash and investments	$	7,673,753	2,573,556	4,131,939	2,177,437
Restricted cash and investments		-	407,652	-	-
Prepaid items		-	-	-	-
Receivables:					
Accounts		85,180	2,905	-	21,599
Intergovernmental		237,342	-	27,651	-
Property taxes		127,696	-	-	-
Sales taxes		5,026,978	-	488,803	-
Notes		-	-	-	171,000
Contracts		-	-	-	-
Interfund		1,532,852	-	-	-
Advances		-	917,303	-	491,528
Total Assets	$	14,683,801	3,901,416	4,648,393	2,861,564
Liabilities					
Accounts payable	$	318,553	18,358	14,314	137,894
Accrued salaries and benefits		12,040	-	-	-
Intergovernmental payable		3,542,518	-	-	-
Interfund payable		-	-	-	-
Interfund advances payable		-	-	-	-
Due to component unit		250,739	-	-	-
Deposits		79,727	11,841	-	-
Unearned revenues		54,994	-	-	-
Total Liabilities		4,258,571	30,199	14,314	137,894
Deferred Inflows					
Property tax revenues		123,705	-	-	-
Total Liabilities and Deferred Inflows		4,382,276	30,199	14,314	137,894
Fund Balances					
Nonspendable:					
Prepaids		-	-	-	-
Restricted:					
Capital projects		-	-	-	-
Commercial passenger vessel impact		-	-	-	-
Dock improvements		-	-	-	-
Library operations		-	-	-	-
Public safety and water		-	-	-	-
Recreation		-	-	-	-
Road maintenance		-	-	-	-
Committed:					
Notes and advances receivable		-	769,596	-	662,528
Borough-owned land management		-	3,101,621	-	-
Education		-	-	4,634,079	-
Assigned:					
Economic development		-	-	-	2,061,142
Unassigned (deficit)		10,301,525	-	-	-
Total Fund Balances		10,301,525	3,871,217	4,634,079	2,723,670
Total Liabilities, Deferred Inflows and Fund Balances	$	14,683,801	3,901,416	4,648,393	2,861,564

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet, continued

		State & Federal Grants	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$	-	10,777	3,790,524	20,357,986
Restricted cash and investments		-	3,543,492	1,711,760	5,662,904
Prepaid items		60,783	-	77,641	138,424
Receivables:					
Accounts		-	-	55,475	165,159
Intergovernmental		1,118,578	-	230,839	1,614,410
Property taxes		-	-	5,672	133,368
Sales taxes		-	-	488,803	6,004,584
Notes		-	-	-	171,000
Contracts		-	-	-	-
Interfund		-	-	-	1,532,852
Advances		-	-	-	1,408,831
Total Assets	$	1,179,361	3,554,269	6,360,714	37,189,518
Liabilities					
Accounts payable	$	123,257	76,244	102,693	791,313
Accrued salaries and benefits		-	-	-	12,040
Intergovernmental payable		-	-	-	3,542,518
Interfund payable		1,056,104	-	228,417	1,284,521
Interfund advances payable		-	-	571,632	571,632
Due to component unit		-	-	-	250,739
Deposits		-	2,000	-	93,568
Unearned revenues		-	-	44,133	99,127
Total Liabilities		1,179,361	78,244	946,875	6,645,458
Deferred Inflows					
Property tax revenues		-	-	3,500	127,205
Total Liabilities and Deferred Inflows		1,179,361	78,244	950,375	6,772,663
Fund Balances					
Nonspendable:					
Prepaids		60,783	-	77,641	138,424
Restricted:					
Capital projects		-	3,476,025	5,324	3,481,349
Commercial passenger vessel impact		-	-	2,245,844	2,245,844
Dock improvements		-	-	15,286	15,286
Library operations		-	-	82,028	82,028
Public safety and water		-	-	145,426	145,426
Recreation		-	-	2,753,117	2,753,117
Road maintenance		-	-	330,891	330,891
Committed:					
Notes and advances receivable		-	-	-	1,432,124
Borough-owned land management		-	-	-	3,101,621
Education		-	-	-	4,634,079
Assigned:					
Economic development		-	-	-	2,061,142
Unassigned (deficit)		(60,783)	-	(245,218)	9,995,524
Total Fund Balances		-	3,476,025	5,410,339	30,416,855
Total Liabilities, Deferred Inflows and Fund Balances	$	1,179,361	3,554,269	6,360,714	37,189,518

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances			$ 30,416,855
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Cost	$ 214,266,515		
Less accumulated depreciation	(49,338,318)		164,928,197
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This consists of deferred property taxes receivable.			125,469
An internal service fund is used by management to charge the costs of insurance to individual funds and the component unit. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.			(35,973)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.			35,387
Accrued interest payable is not reported at the fund financial reporting level.			(629,366)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	(40,430,000)		
Certificates of participation	(4,155,000)		
Premium for GO bonds	(1,776,887)		
Premium for certificates of participation	(47,976)		
Deferred loss on refunding	524,933		
Compensated absences	(645,579)		
Net pension liability	(4,592,274)		
Total long-term liabilities			(51,122,783)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred outflows related to pensions	494,413		
Deferred inflows related to pensions	(530,564)		
Total deferred pension items			(36,151)
Net Position Of Governmental Activities			$ 143,681,635

See accompanying notes to the basic financial statements.

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Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General	Land Trust	School Bond Capital Improvements	Economic Development Assistance Program
Revenues				
Taxes	$ 11,997,474	-	1,704,022	-
Intergovernmental	6,231,248	10,264	2,517,988	10,890
Licenses and permits	275	-	-	-
Charges for services	1,958,356	486,217	-	1,000
Water fees	-	-	-	-
Commercial passenger vessel tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings	6,156	40,496	-	-
Proceeds from sale of property	-	87,322	-	-
Miscellaneous	-	1,140	-	-
Total Revenues	20,193,509	625,439	4,222,010	11,890
Expenditures				
Current				
General government	4,023,951	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,209,054	324,329	41,282	3,593,569
Parks and recreation	2,325,059	-	-	-
Public works	1,093,458	-	-	-
Transit	2,173,103	-	-	-
Education	7,899,000	-	-	-
Nondepartmental	272,048	-	-	-
Capital Outlay	126,162	-	21,255	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	19,121,835	324,329	62,537	3,593,569
Excess (Deficiency) of Revenues Over Expenditures	1,071,674	301,110	4,159,473	(3,581,679)
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Transfers in	1,500,629	1,007,767	84,507	-
Transfers out	(61,446)	(573,604)	(4,041,709)	(120,000)
Total Other Financing Sources (Uses)	1,439,183	434,163	(3,957,202)	(120,000)
Net Change in Fund Balances	2,510,857	735,273	202,271	(3,701,679)
Fund Balances Beginning of Year	7,790,668	3,135,944	4,431,808	6,425,349
Fund Balances End of Year	$ 10,301,525	3,871,217	4,634,079	2,723,670

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	State & Federal Grants	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ -	-	3,238,265	16,939,761
Intergovernmental	2,263,264	-	420,692	11,454,346
Licenses and permits	-	-	-	275
Charges for services	-	-	342,055	2,787,628
Water fees	-	-	251,863	251,863
Commercial passenger vessel tax	-	-	2,032,375	2,032,375
Interest subsidy	-	-	458,053	458,053
Investment earnings	-	1,930	922	49,504
Proceeds from sale of property	-	-	-	87,322
Miscellaneous	-	-	400,851	401,991
Total Revenues	2,263,264	1,930	7,145,076	34,463,118
Expenditures				
Current				
General government	-	-	-	4,023,951
Library services	-	-	405,199	405,199
Fire and EMS	-	-	1,388,627	1,388,627
Water treatment and distribution	-	-	324,110	324,110
Public services	586,294	16,878	2,527,046	8,298,452
Parks and recreation	-	-	-	2,325,059
Public works	-	-	-	1,093,458
Transit	-	-	-	2,173,103
Education	-	-	-	7,899,000
Nondepartmental	-	-	-	272,048
Capital Outlay	669,204	2,344,905	527,742	3,689,268
Debt Service				
Principal retirement	-	-	3,465,000	3,465,000
Interest and fiscal charges	-	-	2,403,755	2,403,755
Bond issuance costs	-	-	17,318	17,318
Total Expenditures	1,255,498	2,361,783	11,058,797	37,778,348
Excess (Deficiency) of Revenues Over Expenditures	1,007,766	(2,359,853)	(3,913,721)	(3,315,230)
Other Financing Sources (Uses)				
Issuance of debt	-	-	2,185,000	2,185,000
Bond premium	-	-	129,986	129,986
Payment to refunding bond escrow agent	-	-	(2,292,344)	(2,292,344)
Transfers in	-	156,911	6,026,053	8,775,867
Transfers out	(1,007,766)	(84,507)	(3,159,259)	(9,048,291)
Total Other Financing Sources (Uses)	(1,007,766)	72,404	2,889,436	(249,782)
Net Change in Fund Balances	-	(2,287,449)	(1,024,285)	(3,565,012)
Fund Balances Beginning of Year	-	5,763,474	6,434,624	33,981,867
Fund Balances End of Year	$ -	3,476,025	5,410,339	30,416,855

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2015

Net Changes In Fund Balances - Total Governmental Funds		$ (3,565,012)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Depreciation expense	$ (4,840,134)	
Capital outlay	3,689,268	(1,150,866)
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		(454,100)
The book value of capital assets relating to the acquisition of:		
land deeded to Ketchikan Gateway Borough by the State of Alaska per Patent 2014-002028.		994,600
Internal service funds are used by management to charge the costs of self-insurance to individual funds. A portion of the net loss of their activity is reported with governmental activities.		(151,804)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred property taxes.		(25,977)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:		
Refunding bonds issued	(2,185,000)	
Principal payments on long-term debt	5,700,000	
Net decrease in premium	176,638	
Increase in accrued interest	(52,107)	
Net decrease in deferred loss on bonds	(30,475)	3,609,056
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued leave	42,916	
Increase in net pension obligation and related accounts	(22,039)	20,877
Change In Net Position of Governmental Activities		$ (723,226)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	2015			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Taxes	$ 12,323,736	12,320,236	11,997,474	(322,762)
Licenses and permits	-	-	275	275
Intergovernmental	3,436,099	4,402,566	6,231,248	1,828,682
Charges for services	1,605,315	1,605,315	1,958,356	353,041
Investment earnings	2,000	2,000	6,156	4,156
Total Revenues	17,367,150	18,330,117	20,193,509	1,863,392
Expenditures				
Current				
General government	3,815,372	4,097,518	4,023,951	73,567
Public services	1,196,730	1,349,850	1,209,054	140,796
Parks and recreation	2,453,414	2,487,633	2,325,059	162,574
Public works	1,067,062	1,152,678	1,093,458	59,220
Transit - bus system	2,132,672	2,312,804	2,173,103	139,701
Nondepartmental	298,820	298,820	272,048	26,772
Education	7,899,000	7,899,000	7,899,000	-
Capital Outlay	137,351	137,351	126,162	11,189
Total Expenditures	19,000,421	19,735,654	19,121,835	613,819
Excess (Deficiency) of Revenues Over Expenditures	(1,633,271)	(1,405,537)	1,071,674	2,477,211
Other Financing Sources (Uses)				
Transfers in	1,508,029	1,508,029	1,500,629	(7,400)
Transfers out	(61,446)	(61,446)	(61,446)	-
Total Other Financing Sources (Uses)	1,446,583	1,446,583	1,439,183	(7,400)
Net Change in Fund Balance	$ (186,688)	41,046	2,510,857	2,469,811
Fund Balance Beginning of Year			7,790,668	
Fund Balance End of Year			$ 10,301,525	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	2015			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Charges for services	$ 465,014	465,014	486,217	21,203
Intergovernmental	3,015	9,348	10,264	916
Investment earnings	-	-	40,496	40,496
Proceeds from sale of property	250,000	250,000	87,322	(162,678)
Miscellaneous	-	-	1,140	1,140
Total Revenues	718,029	724,362	625,439	(98,923)
Expenditures				
Current				
Public services	582,453	588,786	324,329	264,457
Capital Outlay	300,000	300,000	-	300,000
Total Expenditures	882,453	888,786	324,329	564,457
Excess (Deficiency) of Revenues Over Expenditures	(164,424)	(164,424)	301,110	465,534
Other Financing Sources (Uses)				
Transfers in	6,748	6,748	1,007,767	1,001,019
Transfers out	(515,603)	(515,603)	(573,604)	(58,001)
Total Other Financing Sources (Uses)	(508,855)	(508,855)	434,163	943,018
Net Change in Fund Balance	$ (673,279)	(673,279)	735,273	1,408,552
Fund Balance Beginning of Year			3,135,944	
Fund Balance End of Year		$	3,871,217	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	2015			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Taxes	$ 1,797,710	1,797,710	1,698,074	(99,636)
Intergovernmental	2,696,394	2,696,394	2,517,988	(178,406)
Penalties and interest	10,000	10,000	5,948	(4,052)
Total Revenues	4,504,104	4,504,104	4,222,010	(282,094)
Expenditures				
Current				
Public services	71,400	71,400	41,282	30,118
Capital Outlay	-	-	21,255	(21,255)
Total Expenditures	71,400	71,400	62,537	8,863
Excess of Revenues Over Expenditures	4,432,704	4,432,704	4,159,473	(273,231)
Other Financing Sources (Uses)				
Transfers in	-	84,507	84,507	-
Transfers out	(4,104,842)	(4,261,753)	(4,041,709)	220,044
Total Other Financing Sources (Uses)	(4,104,842)	(4,177,246)	(3,957,202)	220,044
Net Change in Fund Balance	$ 327,862	255,458	202,271	(53,187)
Fund Balance Beginning of Year			4,431,808	
Fund Balance End of Year			$ 4,634,079	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Economic Development Assistance Program Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	2015			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Intergovernmental	$ 7,120	22,073	10,890	(11,183)
Charges for services	-	-	1,000	1,000
Total Revenues	7,120	22,073	11,890	(10,183)
Expenditures				
Current				
Public services	3,507,063	3,810,016	3,593,569	216,447
Excess (Deficiency) of Revenues Over Expenditures	(3,499,943)	(3,787,943)	(3,581,679)	206,264
Other Financing (uses)				
Transfers out	(120,000)	(120,000)	(120,000)	-
Net Change in Fund Balance	$ (3,619,943)	(3,907,943)	(3,701,679)	206,264
Fund Balance Beginning of Year			6,425,349	
Fund Balance End of Year		$	2,723,670	

See accompanying notes to the basic financial statements.

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Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Position
June 30, 2015

		Business-type Activities			Governmental Activities - Internal Service
		Airport	Wastewater	Total	Funds
Assets					
Current Assets					
Cash and investments	$	-	523,497	523,497	55,226
Prepaid items		33,042	-	33,042	-
Receivables:					
Accounts		853,968	43,881	897,849	-
Intergovermental		47,198	-	47,198	-
Total Current Assets		934,208	567,378	1,501,586	55,226
Noncurrent Assets					
Longterm Receivables:					
Note receivable from component unit		-	-	-	416,538
Capital Assets					
Nondepreciable		310,132	-	310,132	-
Depreciable, net		18,400,300	9,445,709	27,846,009	-
Total Noncurrent Assets		18,710,432	9,445,709	28,156,141	416,538
Total Assets		19,644,640	10,013,087	29,657,727	471,764
Deferred outflows, related to pension		212,639	-	212,639	-
Total Assets and Deferred Outflows	**$**	19,857,279	10,013,087	29,870,366	471,764
Liabilities					
Current Liabilities					
Accounts payable		152,521	32,703	185,224	-
Interfund advances payable		29,303	41,387	70,690	-
Compensated absences payable		189,997	-	189,997	-
Claims payable		-	-	-	259,406
Total Current Liabilities	**$**	371,821	74,090	445,911	259,406
Long-Term Liabilities, net of current portion					
Compensated absences payable		34,821	-	34,821	-
Net pension liability		1,975,067		1,975,067	-
Interfund advances payable		126,479	263,176	389,655	-
Interfund payable		376,854	-	376,854	248,331
Total Long-Term Liabilities		2,513,221	263,176	2,776,397	248,331
Total Liabilities		2,885,042	337,266	3,222,308	507,737
Deferred inflows, related to pensions		228,187	-	228,187	-
Total Liabilities and Deferred Inflows		3,113,229	337,266	3,450,495	507,737
Net Position					
Net investment in capital assets		18,710,432	9,445,709	28,156,141	-
Unrestricted (deficit)		(1,966,382)	230,112	(1,736,270)	(35,973)
Total Net Position - Fund Level	$	16,744,050	9,675,821	26,419,871	(35,973)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.				(35,387)	
Total Net Position - Government-wide Statement of Net Position				$ 26,384,484	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)
For the Year Ended June 30, 2015

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Operating Revenues				
Charges for services	$ 4,694,448	656,048	5,350,496	7,020,463
Operating Expenses				
Personnel services	3,015,975	216,438	3,232,413	-
Supplies and services	1,277,789	501,356	1,779,145	-
Insurance	224,993	5,313	230,306	-
Administration	-	-	-	1,051,572
Claims and premiums	-	-	-	6,167,329
Depreciation	1,094,695	356,496	1,451,191	-
Total Operating Expenses	5,613,452	1,079,603	6,693,055	7,218,901
Less recovery of expenses from other funds	-	(1,596)	(1,596)	-
Net Operating Expenses	5,613,452	1,078,007	6,691,459	7,218,901
Operating Income (Loss)	(919,004)	(421,959)	(1,340,963)	(198,438)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(5,211)	(20,065)	(25,276)	-
Operating grants	175,172	-	175,172	-
Total Non-Operating Revenues (Expenses)	169,961	(20,065)	149,896	-
Income (Loss) before Capital Contributions and Transfers	(749,043)	(442,024)	(1,191,067)	(198,438)
Capital contributions	487,172	-	487,172	-
Transfers in	272,424	-	272,424	-
Change in Net Position	10,553	(442,024)	(431,471)	(198,438)
Net Position Beginning of Year as Restated (Note 2A)	16,733,497	10,117,845		162,465
Net Position End of Year	$ 16,744,050	9,675,821		(35,973)
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(46,634)	
Change in net position of business-type activities			$ (478,105)	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2015

		Business-type Activities			Governmental Activities - Internal Service Funds
		Airport	Wastewater	Total	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash received from customers	$	4,105,814	645,206	4,751,020	7,064,383
Cash payments to employees for services		(3,003,293)	(216,438)	(3,219,731)	-
Cash payments for goods and services		(1,405,363)	(510,990)	(1,916,353)	(1,401,251)
Cash payments for claims		-	-	-	(5,884,021)
Net Cash Provided by (Used in) Operating Activities		(302,842)	(82,222)	(385,064)	(220,889)
Cash Flows from Noncapital Financing Activities					
Interfund advances		(161,623)	-	(161,623)	-
Interfund payables		-	-	-	53,450
Operating grants		199,026	-	199,026	-
Transfers in		272,424	-	272,424	-
Net Cash Provided by Noncapital Financing Activities		309,827	-	309,827	53,450
Cash Flows from Capital and Related Financing Activities					
Capital grant		487,172	-	487,172	-
Interest paid on debt service		(5,211)	(20,065)	(25,276)	-
Interfund advance payable		(28,452)	(77,218)	(105,670)	-
Payments for capital acquisitions		(460,494)	(15,364)	(475,858)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities		(6,985)	(112,647)	(119,632)	-
Net Increase (Decrease) in Cash and Cash Equivalents		-	(194,869)	(194,869)	(167,439)
Cash and Cash Equivalents Beginning of Year		-	718,366	718,366	222,665
Cash and Cash Equivalents End of Year	$	-	523,497	523,497	55,226

(continued)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2015

(continued)

		Business-type Activities			Governmental Activities - Internal Service Funds
		Airport	Wastewater	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	$	(919,004)	(421,959)	(1,340,963)	(198,438)
Adjustments:					
Depreciation		1,094,695	356,496	1,451,191	-
Amortization of deferred outflow for pension		(50,554)	-	(50,554)	
Amortization of deferred inflow for pension		228,187	-	228,187	
(Increase) Decrease in Assets:					
Accounts receivable		(588,634)	(10,842)	(599,476)	-
Intergovernmental		-	-	-	-
Prepaid items		42,906	-	42,906	-
Note receivable		-	-	-	43,920
Increase (Decrease) in Liabilities:					
Accounts payable		54,513	(5,917)	48,596	-
Compensated absences payable		3,204	-	3,204	-
Net pension liability		(168,155)	-	(168,155)	-
Claims payable		-	-	-	(66,371)
Net Cash Provided by (Used in) Operating Activities	$	(302,842)	(82,222)	(385,064)	(220,889)

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Ketchikan Gateway Borough, Alaska
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The Ketchikan Gateway Borough, Alaska (the "Borough") was incorporated September 13, 1963, under the provisions of the State of Alaska Borough Act of 1961, as a Second Class Borough. The Borough operates under a seven-member elected Assembly and a Manager form of government.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the Borough's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Borough consists of all funds, departments, boards and agencies that are not legally separate from the Borough.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the Borough's discretely presented component unit. It is reported separately to emphasize that it is legally separate from the Borough.

A brief description of the discretely presented component unit follows:

Ketchikan Gateway Borough School District (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District's Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District's annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available on-line at www.kgbsd.org or from the District's administrative office:

Pouch Z
Ketchikan, AK 99901

1-B. Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and Borough's general revenues, from business-type activities, generally financed in whole or in part with airport and sewer fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the Borough and its discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental activities and for each identifiable activity of the business-type activities of the Borough. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The Borough does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from the services provided by the program; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying which functional program to which revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the Borough. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements - During the year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns. The internal service funds are aggregated into a single column.

Fund Accounting - The Borough uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Borough uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Borough reports the difference between governmental fund assets and liabilities as fund balance. The following are the Borough's major governmental funds:

> ***The General Fund -*** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.
>
> ***Land Trust Special Revenue Fund -*** This fund is used to account for revenues from land sales, office space leases, and loans to other Borough funds and related expenditures.
>
> ***Economic Development Assistance Program Special Revenue Fund -*** This fund is used to account for economic development assistance which would include but not be limited to: preservation of existing living wage jobs within the Borough, creation of new long-term living wage jobs within the Borough, establishment of economic development related infrastructure, provide a foundation of promoting private enterprise, diversification of the local economy, provide leverage to bring in other economic development funding or resources, stimulation of the local economy through the purchase of local goods and services, and the preservation or creation of other living wage and/or seasonal jobs within the Borough. Revenue sources for this fund are charges for services and investment earnings. Management of the Borough has chosen to reflect this fund as a major fund for consistency purpose.
>
> ***School Bond/Capital Improvements Special Revenue Fund -*** This fund is used to account for the receipt of revenues from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.
>
> ***Capital Projects Fund -*** This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.
>
> ***State and Federal Grants Special Revenue Fund*** – This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The major enterprise funds follow.

> ***Airport Fund -*** This fund accounts for the operations of the Ketchikan International Airport.
>
> ***\Wastewater Fund*** – This fund is used to account for the Borough's wastewater program and sewer systems.
>
> The Borough's internal service funds account for the Borough's and its discretely presented component unit's self-insurance programs.

1-C. Measurement Focus

Government-wide Financial Statements **-** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities, and all deferred inflows/outflows associated with the operation of the Borough are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements **-** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and all deferred inflows/outflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange Transactions **-** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Borough, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions **-** Non-exchange transactions in which the Borough receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Grant Revenue **-** Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

Expenses/Expenditures **-** On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Borough and all investments in the cash central treasury. For purposes of the statement of cash flows, the Borough has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash central treasury regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account.

The Borough utilizes a central treasury to aggregate cash from all funds for cash management and investment purposes. Each fund has an account titled "cash in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Investment earnings are allocated monthly to participating funds based on their ending equity balance.

Investments are stated at fair value based on quoted market prices.

The Borough is authorized to invest in:

- Obligations of the U. S. Treasury, its agencies and instrumentalities;
- Bankers' acceptances of the fifty largest banks;
- The highest rated commercial paper;
- Repurchase agreements;
- Fully collateralized certificates of deposits; and
- The highest rated bonds and notes issued by a state or political subdivision thereof.

Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment by type.

Certain long-term investments are made in the equity market, not to exceed 25 percent of the portfolio and stock investments restricted to companies with assets greater than $5 billion. These investments are managed through an account with Wells Fargo Advisors. The equity investments are cash assets that will not be expended within the next three to ten years.

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2015.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Long-term loans between funds are classified as “advances receivable/advances payable.” These amounts are eliminated in the governmental and business-

type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Consumable Inventories

On the government-wide financial statements, Borough inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method). Component unit inventories are presented at cost using the first-in, first-out basis.

On the fund financial statements, inventories of governmental and proprietary funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is shown as nonspendable; as this amount is not available for general appropriation.

1-E-6 Restricted Assets

The investment account within the capital projects fund segregates cash and investments that are restricted for school construction projects. Cash and investments restricted for debt service payments are segregated in the revenue bond current debt service account for debt service payments over the next 12 months, and in the revenue bond future debt service account for debt service payments beyond that period. The revenue bond renewal and replacement account segregates cash and investments reserved to cover unexpected contingencies or to fund asset renewals and replacements. The customer deposits account reflects cash from security deposits in the Borough's Planning Department that will eventually be returned to customers.

1-E-7 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Borough reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Borough maintains a capitalization threshold of five thousand dollars for capital assets consisting of equipment, and fifty thousand dollars for buildings, building improvements, land improvements, and infrastructure. The Borough's infrastructure consists of roads, bridges, airport runways, and water and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Borough's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Estimated Lives: Governmental Activities	Estimated Lives: Business-type Activities
Buildings	50 Years	40 Years
Machinery and equipment	6-10 Years	6-10 Years
Vehicles and moving equipment	5-10 Years	5-10 Years
Intangibles	10 Years	---
Infrastructure	50 Years	---
Airport field facilities	---	15-30 Years
Ferry slip	---	40 Years
Ferries	---	20 Years

Works of art are not depreciated if the artwork is removable from the building. Artwork that has become part of the building, ceramic walls for example, is depreciated over 50 years.

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-8 Compensated Absences

It is the Borough's policy to permit employees to accumulate paid time off (PTO) benefits up to a maximum of 720 hours at calendar year-end.

PTO benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All PTO liabilities include salary-related payments, where applicable.

The total PTO liability is reported on the government-wide financial statements. Proprietary funds report the total PTO liability in each individual fund at the fund reporting level. Governmental funds report the PTO liability at the fund reporting level only "*when due*."

1-E-9 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds payable are recognized as a liability in the governmental fund financial statements when due.

1-E-10 Bond Premiums, Discounts and Issuance Costs

On the government-wide and the proprietary fund type statements of net position, bond premiums and discounts are netted against bonds payable. Any gain or loss on refunding is reported as a deferred charge. On the government-wide and proprietary fund type statement of activities, bond premiums, and discounts are deferred and amortized over the life of the bonds using the straight-line method. At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure/expense in both the government wide statement of activities and at the fund level.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

The Ketchikan Gateway Borough Assembly adopted Resolution 2553 on August 4, 2014 to be implemented with preparation of the FY 2014 CAFR, adopting fund balance classification and spending prioritization.

Fund Balance - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items, inventories, long term advances and receivables; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Borough Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance — This classification reflects the amounts constrained by the Borough's "intent" to be used for specific purposes, but are neither restricted nor committed. The Borough Assembly has delegated the assignment ability to the Finance Director through Resolution 2553. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Net Position - Net position represent the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Borough, these revenues are charges for services for the wastewater and the airport enterprise funds and premiums for the self-insurance internal service funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of each fund. Nonoperating revenues include investment earnings and operating grants, and nonoperating expenses include interest expense and the loss on the disposition of capital assets.

1-E-13 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-14 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues and eliminated from the total column. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-15 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-16 Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. In addition, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

1-E-17 *Pensions*

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Net Pension liability has been allocated between the governmental activities, business-type activities, and the applicable enterprise fund based on PERS covered payroll during fiscal year 2015.

Note 2 – Changes in Accounting Principles, Stewardship, Compliance and Accountability

2-A. Prior Period Adjustment and Change in Accounting Principle – In prior years, the Borough reported a fund deficit in the School District Health Insurance Internal Service Fund. In 2015, it was determined that revenue and a receivable from the school district should have been reported instead. Management has reported a prior period adjustment in the School District Health Insurance Internal Service Fund and in the Governmental Activities section of the Statement of Net Position.

In addition, as discussed in Note 3-I to the financial statements, the Borough participates in the Alaska Public Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement number 68, Accounting and Financial Reporting for Pensions, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the borough has recorded an adjustment to opening net position, to reflect the opening balance pension liability and related accounts as follows:

	Opening net position, as originally presented	Prior Period Adjustment	Change in Accounting Principle Adjustment	Opening Net Position, as restated
Governmental Activities	$ 148,550,789	460,458	(4,606,386)	144,404,861
Business-type Activities	28,843,726	-	(1,981,137)	26,862,589
School District	2,514,824	(460,458)	(16,197,916)	(14,143,550)
Mertain School District Internal Service Fund	(460,458)	460,458	-	-
Airport Enterprise Fund	18,714,634	-	(1,981,137)	16,733,497

2-B. Budgetary Information – The Borough adopts an annual operating budget for the following funds: General Fund, Land Trust, Commercial Passenger Vessel, Recreation Sales Tax, School Bond/Capital Improvement, Economic Development Assistance Program, Airport PFC Fund, and the following Service Areas: Mud Bight, South Tongass, Loring, Waterfall, Nichols View, Forest Park, Gold Nugget, Gold Nugget Special Assessment, Homestead Special Assessment, North Tongass Fire and EMS, and Nonareawide Library. A project budget is adopted for each capital projects fund. The budget resolution reflects the total budget of each fund.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund. Borough department heads may make transfers of

appropriations within a department and the Borough Manager may authorize transfers of appropriations between departments within an individual fund. Transfers of appropriations between funds require the approval of the Borough Assembly.

During the year the Borough Assembly approved budget revisions.

All unexpended annual appropriations lapse at year-end, with exception for appropriations made for a capital project or grant project in the budget ordinance, or in an ordinance for a prior budget year, are valid for the life of the project or grant term, and the unexpended balance for all such appropriations shall be carried forward to subsequent fiscal years.

At June 30, 2015, the Borough had open encumbrances as follows:

Fund		Encumbrances
General Fund	$	5,194
Land Trust		1,307
Economic Development Assistance Program		45,072
State and Federal Grants		7,147,068
Capital Improvements		413,862
Nonmajor		178,348
Total	$	7,790,851

2-C. Excess of Expenditures over Appropriations

The following individual fund had an excess of expenditures over appropriations at June 30, 2015:

Commercial Passenger Vessel Special Revenue Fund.

2-D. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2015:

North Tongass Fire & EMS Special Revenue Fund	$	(73,304)
Airport PFC Special Revenue Fund		(71,178)
Waterfall Special Revenue Fund		(23,095)

The Borough entered into an agreement with the Federal Aviation Administration, allowing the Borough to redeem the 2001 B airport revenue bond and subsequently to be reimbursed by the Airport PFC Special Revenue Fund (PFC Fund). The PFC Fund has a negative fund balance of $71,178, which will be eliminated in fiscal year 2016.

Note 3 - Detailed Notes on All Funds

3-A. Cash and Investments

Cash and investments for Ketchikan Gateway Borough are comprised of governmental and business-type activities. The balances at June 30, 2015 are as follows:

Cash on hand	$	3,650
Deposits with financial institutions		26,055,258
Investments		540,705
Total	$	26,599,613

		Governmental Activities	Business-Type Activities	Total
Unrestricted	$	20,413,212	523,497	20,936,709
Restricted		5,662,904	-	5,662,904
Total	$	26,076,116	523,497	26,599,613

The restricted cash and investments are comprised of investments in construction funds for school projects, commercial passenger vessel revenues for commercial passenger vessel related expenditures, and for a revenue bond reserve fund.

Deposits – Custodial credit risk-deposits. This is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy is in accordance with guidelines established by the Borough's Code of Ordinances, the Borough Assembly and its bond ordinances. All deposits are covered by federal depository insurance up to $250,000 and collateralized with eligible securities to secure at least 100 percent of the book value of deposits. As of June 30, 2015, the carrying value of all the Borough's deposits was $26,058,908, and the bank value was $26,013,567 per bank confirmations. All collateral securities were held by third parties in the Borough's name, and were not exposed to custodial credit risk.

Investments – All investment pool cash purchases and sales are part of the Borough's cash management activity and considered cash and cash equivalents. Interest earned from the pooled investments is allocated to each fund based on an average earnings rate and monthly cash balance of each fund. The Borough has recorded investments at the current portfolio value. The Borough's investment policy is in accordance with guidelines established by the Borough's Code of Ordinances.

The following investments are permitted under the Borough's investment policy:

- U. S. government obligations, U. S. government agency obligations and U. S. government instrumentality obligations which have a liquid market with a readily determinable market value;
- Investment grade obligations of U. S. corporations, state and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the foregoing;
- Money market mutual funds regulated by the securities and exchange commission and whose portfolio consist only of dollar-denominated securities;
- Mutual funds whose investments are limited to U. S. government securities or treasury securities;
- A majority of the equity position will be invested in common stock issued by U. S. corporations with market capitalization in excess of five billion dollars ($5,000,000,000) at time of purchase which trade on NASDAQ or New York Stock Exchange. A maximum of ten (10) percent of the equity allocation

may be invested in mutual funds that invest in small capitalization companies or individual companies whose market capitalization is less than one billion dollars ($1,000,000,000); and

- A maximum of ten (10) percent of the equity allocation may be invested in international mutual funds or individual companies that are non-U. S. based

Concentration of credit risk. The Borough's investments as of June 30, 2015 were held in a time certificate of deposit (TCD) with First Bank. The term of the TCD is 24 months and it matures February 18, 2016.

The Borough has no formal policy relating to the concentration credit risk.

Credit risk. One hundred (100%) of the Borough's investments are invested with the Wells Fargo Advisors. The Wells Fargo investments include fixed income, equities, bond and money market funds. Fixed income investments are rated AAA.

The Borough has no formal policy relating to credit risk.

Interest rate risk. As of June 30, 2015, the weighted average maturity of the Borough's investment portfolio was less than one year. To minimize interest rate risk, the Borough's investment policy limits the portfolio to a maximum weighted average of maturity of 24 months to meet the Borough's cash flow requirements.

The Borough's investments subject to categorization are as follows:

		Investment Maturity (in years)	
Investment Type	Current Market Value	Less than 1	1 - 5
Certificate of Deposit	$ 540,705	-	540,705

3-B. Receivables

Receivables at June 30, 2015, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the Borough's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Receivables as of year-end for the Borough's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

		General	Land Trust	School Bond Capital Improvements	Economic Development	State & Federal Grants
Receivables:						
Accounts	$	321,240	2,905	-	21,599	-
Intergovernmental		237,342	-	27,651	-	1,118,578
Property taxes		127,696	-	-	-	-
Sales taxes		5,026,978	-	488,803	-	-
Note		-	-	-	171,000	-
Interfund		1,532,852	917,303	-	491,528	-
Total receivables		7,246,108	920,208	516,454	684,127	1,118,578
Allowance for doubtful accounts		(236,060)	-	-	-	-
Net receivables	$	7,010,048	920,208	516,454	684,127	1,118,578

		Nonmajor Governmental	Airport Enterprise	Wastewater Enterprise	Internal Service Fund	Totals
Receivables:						
Accounts	$	238,505	879,669	222,432	-	1,686,350
Intergovernmental		230,947	47,198	-	-	1,661,716
Property taxes		6,215	-	-	-	133,911
Sales taxes		488,803	-	-	-	6,004,584
Note		-	-	-	416,538	587,538
Interfund		-	-	-	-	2,941,683
Total receivables		964,470	926,867	222,432	416,538	13,015,782
Allowance for doubtful accounts		(183,681)	(25,701)	(178,551)	-	(623,993)
Net receivables	$	780,789	901,166	43,881	416,538	12,391,789

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

		Deferred - Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$	123,705	-
Delinquent property taxes receivable (Nonmajor Funds)		3,500	-
Unearned revenue (General Fund)		-	54,994
Unearned revenues (nonmajor)		-	44,133
Total deferred/unearned revenue for governmental funds	$	127,205	99,127

3-C. Property and Sales Taxes

The Borough levies its real property taxes on July 1 of each fiscal year based upon the assessed valuation as of the previous January 1. Property taxes are considered due the following July 1 and are considered delinquent on October 1, which is also the lien date. The Borough collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate is 2.5% while the rate for the City of Ketchikan is 4.0%.

3-D. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

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		Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015
Governmental activities:					
Nondepreciable capital assets:					
Land - Borough	$	29,011,814	994,600	57,450	29,948,964
Land - School		7,397,443	781,730	395,000	7,784,173
Construction in progress - Borough		339,204		94,652	244,552
Construction in progress - School		1,120,934	117,016	1,117,983	119,967
Total nondepreciable capital assets		37,869,395	1,893,346	1,665,085	38,097,656
Depreciable capital assets:					
Buildings - Borough		24,642,816	113,464	-	24,756,280
Buildings - School		103,736,631	1,941,066	-	105,677,697
Equipment		4,702,185	590,325	23,935	5,268,575
Fields		4,161,676	189,295	-	4,350,971
Infrastructure		1,111,122	-	-	1,111,122
Land Improvements		466,883	784,624	-	1,251,507
Pool		22,772,030	-	-	22,772,030
South Tongass Water		8,335,833	-	-	8,335,833
Transit - Buses		2,262,110	382,734	-	2,644,844
Total depreciable capital assets		172,191,286	4,001,508	23,935	176,168,859
Total cost of capital assets		210,060,681	5,894,854	1,689,020	214,266,515
Accumulated depreciation:					
Buildings - Borough		4,392,113	639,866	-	5,031,979
Buildings - School		32,435,985	2,430,561	-	34,866,546
Equipment		2,816,514	287,999	23,935	3,080,578
Fields		1,629,772	162,937	-	1,792,709
Infrastructure		682,021	45,631	-	727,652
Land Improvements		90,726	24,203	-	114,929
Pool		910,881	910,881	-	1,821,762
South Tongass Water		504,175	166,717	-	670,892
Transit - Buses		1,059,932	171,339	-	1,231,271
Total accumulated depreciation		44,522,119	4,840,134	23,935	49,338,318
Governmental activities capital assets, net	$	165,538,562	1,054,720	1,665,085	164,928,197

Governmental activities depreciation:		
Administration	$	86,540
Education		2,438,882
Fire and EMS		226,612
Parks and Recreation		1,121,129
Public Service		694,183
Public Works		26,609
Transit		246,179
Total govermental activities depreciation expense	$	4,840,134

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		Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015
Business-type activities:					
Nondepreciable capital assets					
Construction in progress	$	2,656,499	310,132	2,656,499	310,132
Depreciable capital assets:					
Ferry		14,295,035	1,892,142	-	16,187,177
Field		4,267,154	6,829	-	4,273,983
Terminal building		10,134,315	907,889	-	11,042,204
Murphy's landing		208,800	-	-	208,800
Sludge/compost		-	-	-	-
Wastewater		270,261	15,365	-	285,626
Mountain Point wastewater		13,792,489	-	-	13,792,489
Forest Park wastewater		32,700	-	-	32,700
Total depreciable capital assets		43,000,754	2,822,225	-	45,822,979
Total capital assets		45,657,253	3,132,357	2,656,499	46,133,111
Accumulated depreciation:					
Ferry		3,844,129	777,805	-	4,621,934
Field		2,721,686	81,864	-	2,803,550
Terminal building		5,442,556	235,025	-	5,677,581
Murphy's landing		208,800	-	-	208,800
Wastewater		223,635	13,492	-	237,127
Mountain Point wastewater		4,053,346	343,005	-	4,396,351
Forest Park wastewater		31,627	-	-	31,627
Total accumulated depreciation		16,525,779	1,451,191	-	17,976,970
Business-type activities capital assets, net	$	29,131,474	1,681,166	2,656,499	28,156,141

Business-type activities depreciation:		
Airport	$	1,094,694
Wastewater		356,497
	$	1,451,191

3-*E. Interfund Balances and Transfers*

Interfund balances at June 30, 2015, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The Borough expects to repay interfund balances due to the Economic Development Fund over five years. The balances due to the Land Trust Fund are interfund loans and payment schedules have been established for the various funds that call for repayment within eight years.

		Payable From:		
Payable to:		State and Federal Grants	Airport Enterprise Fund	Wastewater Enterprise Fund
General Fund	$	1,056,104	-	-
Land Trust Fund - Advances Receivable		-	155,782	304,563
Economic Development- Advances Receivable		-	376,854	-
Total	$	1,056,104	532,636	304,563

		Payable From:		
		Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$	228,417	248,331	1,532,852
Land Trust Fund - Advances Receivable		456,958	-	917,303
Economic Development- Advances Receivable	$	114,674	-	491,528
		800,049	248,331	2,941,683

Interfund transfers for the year ended June 30, 2015, consisted of the following:

		Transfers From:			
Transfers To:		General Fund	Land Trust Fund	School Bond Capital Imp. Fund	Economic Development Fund
General Fund	$	-	221,069	82,600	120,000
Land Trust		-	-	-	-
School Bond		-	-	-	-
Capital Projects		-	-	156,911	-
Non-Major Debt Service			352,535	3,639,345	-
Other Non-Major Governmental		55,946	-	162,852	-
Airport Enterprise		5,500	-	-	-
Total	$	61,446	573,604	4,041,708	120,000

		Transfers From:			
Transfers To:		Capital Projects Fund	State & Federal Grant Fund	Non-Major Governmental Funds	Totals
General Fund	$	-	-	1,076,960	1,500,629
Land Trust		-	1,007,766	-	1,007,766
School Bond		84,507	-	-	84,507
Capital Projects		-	-	-	156,911
Non-Major Debt Service		-	-	1,418,822	5,410,702
Other Non-Major Governmental		-	-	396,553	615,351
Airport Enterprise		-	-	266,924	272,424
Total	$	84,507	1,007,766	3,159,259	9,048,290

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All Borough transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

3-F. Compensated Absences

Employees may receive cash payments for unused compensated absences only upon termination or for hours in excess of 720 at the end of any calendar year.

3-G. Operating Leases

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of one dollar per year under a 42-year lease agreement that expires May 31, 2027. Under the terms of this lease, the Borough is required to operate the airport for the use and benefit of the public and to perform all routine maintenance and repairs to the building and landing field. The lease further provides that the first $10,000 of the cost of repairs to a State of Alaska owned facilities are to be paid by the Borough and the balance of the cost of major repairs are to be paid by the State of Alaska. In addition, the lease requires the Borough to maintain an airport enterprise fund and to account for all of the revenues, costs and expenses of operating the airport in this fund. Any excess of specified revenues over specified expenses, both of which are defined in the lease, must be credited to a separate reserve account and can only be used for certain purposes. No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2015. The leases that are in place as of June 30, 2015 have expiration dates through 2020. One long term land lease extends through 2049. The Borough also collects rents from land, seaplane dock, floatplane pullout, aircraft tie-downs, ARFF/maintenance building, aircraft parking, and Murphy's Pullout. The Borough collects these rents on a month-to-month basis. Current airport terminal leases generate annual revenues of $635,501 on 170,867 square feet. Land leases generate annual revenues of $16,944 on 209,350 square feet.

3-H. Long-Term Debt

The Borough has numerous bond issues outstanding. A summary of the governmental activities follows:

Borough General Obligation Bonds, 2006A Series - General obligation bonds, Series 2006, denominations of $5,000, dated February 9, 2006, total issue $1,100,000. The bond proceeds were used for school health and safety projects. Interest rates are 4%. The bonds mature February 1, 2016. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year	Principal	Interest	Total
2016	$ 130,000	5,200	135,200
Total	$ 130,000	5,200	135,200

Borough General Obligation Bonds, 2009A Tax–Exempt Series - General obligation bonds, Series 2009A, denominations of $5,000 or integral multiples thereof, dated December 18, 2009, total issue $3,075,000. The bond proceeds were used to construct a community aquatic center of which 17.848% will be considered a school facility. Interest rates range from 2.00% to 4.00%. The bonds mature February 1, 2016. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	575,000	17,250	592,250
Total	$	575,000	17,250	592,250

Borough General Obligation Bonds, 2009B&C Taxable Series - General obligation bonds, Series 2009B&C, denominations of $5,000 or integral multiples thereof, dated December 18, 2009, $16,681,000 taxable Build America Bond (2009B) and $3,744,000 taxable Recovery Zone Development Bond (2009C), total issue $20,425,000. The bond proceeds were used to construct a community aquatic center of which 17.848% will be considered a school facility. Interest rates range from 1.53% to 6.118%. The bonds mature February 1, 2039. Annual debt service requirements as of June 30, 2015 are as follows:

Fiscal Year		Principal	Interest	Interest Subsidy	Net Interest	Total
2016	$	-	1,185,519	(437,838)	747,681	747,681
2017		590,000	1,185,519	(437,838)	747,681	1,337,681
2018		610,000	1,158,232	(428,287)	729,945	1,339,945
2019		625,000	1,129,104	(418,092)	711,012	1,336,012
2020		645,000	1,098,479	(407,374)	691,105	1,336,105
2021-2025		3,565,000	4,975,757	(1,856,044)	3,119,713	6,684,713
2026-2030		4,280,000	3,883,095	(1,473,612)	2,409,483	6,689,483
2031-2035		5,190,000	2,482,379	(983,361)	1,499,018	6,689,018
2036-2039		4,920,000	765,668	(337,288)	428,380	5,348,380
Total	$	20,425,000	17,863,752	(6,779,734)	11,084,018	31,509,018

Borough General Obligation Bonds, 2010A Series - General obligation bonds, Series 2010, denominations of $5,000, dated March 11, 2010, total issue $5,990,000. The bond proceeds were used to construct school facilities, and advance refund $5,900,000 of the 2000 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is $530,120 over the term. The bonds mature March 1, 2020. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	600,000	129,800	729,800
2017		620,000	105,800	725,800
2018		650,000	81,000	731,000
2019		675,000	55,000	730,000
2020		700,000	28,000	728,000
Total	$	3,245,000	399,600	3,644,600

Borough General Obligation Bonds, 2010B Four Taxable Series - General obligation bonds, Series 2010B, denominations of $5,000, dated December 9, 2010, total issue $3,270,000. The bond proceeds were used for repairs and improvements to the Ketchikan High School roof. Interest rates range from 1.422% to 5.759%. The bonds mature August 1, 2025. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Interest Subsidy	Net Interest	Total
2016	$	215,000	118,976	(53,539)	65,437	280,437
2017		220,000	112,198	(50,489)	61,709	281,709
2018		220,000	104,287	(46,929)	57,358	277,358
2019		225,000	95,209	(42,844)	52,365	277,365
2020		230,000	85,233	(38,355)	46,878	276,878
2021-2025		1,255,000	249,222	(112,150)	137,072	1,392,072
2026		275,000	7,819	(3,563)	4,256	279,256
Total	$	2,640,000	772,944	(347,869)	425,075	2,785,819

Certificate of Participation 2010A-1 - White Cliff Tax-Exempt – Debt issued December 21, 2010, in the amount of $1,065,000. The debt was used to purchase the White Cliff Building, which is the home of Ketchikan Gateway Borough's administrative offices. Interest rates range from 3.00% to 4.00%. The debt will be paid off July 1, 2018. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	145,000	18,200	163,200
2017		150,000	12,400	162,400
2018		160,000	6,400	166,400
Total	$	455,000	37,000	492,000

Certificate of Participation 2010A-2- White Cliff Taxable – Debt issued December 21, 2010, in the amount of $3,700,000. The debt was used to purchase the White Cliff Building, which is the home of Ketchikan Gateway Borough's administrative offices. Interest rates range from 5.781% to 6.863%. The debt will be paid off July 1, 2035. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Interest Subsidy	Net Interest	Total
2016	$	-	240,244	(108,110)	132,134	132,134
2017		-	240,244	(108,110)	132,134	132,134
2018		-	240,244	(108,110)	132,134	132,134
2019		165,000	240,244	(108,110)	132,134	297,134
2020		170,000	230,705	(103,817)	126,888	296,888
2021-2025		930,000	1,000,329	(450,148)	550,181	1,480,181
2026-2030		1,110,000	689,045	(310,070)	378,975	1,488,975
2031-2035		1,325,000	279,667	(125,850)	153,817	1,478,817
Total	$	3,700,000	3,160,722	(1,422,325)	1,738,397	5,438,397

Borough General Obligation Bonds, 2011 III Series - General obligation bonds, Series 2011, denominations of $5,000, dated November 30, 2011, total issue $4,900,000. The bond proceeds were used to advance refund $5,900,000 of the 2003 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is $375,553 over the term. The bonds mature September 1, 2022. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	435,000	186,250	621,250
2017		450,000	166,300	616,300
2018		475,000	143,175	618,175
2019		500,000	118,800	618,800
2020		520,000	95,900	615,900
2021-2023		1,710,000	130,750	1,840,750
Total	$	4,090,000	841,175	4,931,175

Borough General Obligation Bonds, 2012 II Series - General obligation bonds, Series 2012, denominations of $5,000, dated May 24, 2012, total issue $3,080,000. The bond proceeds were used to advance refund $3,090,000 of the 2005 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is $187,620 over the term. The bonds mature September 1, 2019. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	565,000	124,150	689,150
2017		585,000	101,150	686,150
2018		605,000	77,350	682,350
2019		640,000	49,250	689,250
2020		665,000	16,625	681,625
Total	$	3,060,000	368,525	3,428,525

Borough General Obligation Bonds, 2013 One Series - General obligation bonds, Series 2013, denominations of $5,000, dated March 12, 2013, total issue $4,875,000. The bond proceeds will be used for school district facility upgrades. Interest rates range from 2% - 5%. The bonds mature February 1, 2023. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	440,000	168,150	608,150
2017		460,000	150,550	610,550
2018		475,000	132,150	607,150
2019		495,000	113,150	608,150
2020		520,000	88,400	608,400
2021-2023		1,690,000	137,000	1,827,000
Total	$	4,080,000	789,400	4,869,400

Borough General Obligation Bonds, 2015A One Series - General obligation refunding bonds, Series 2015 denominations of $5,000, dated March 20, 2015, total issue $2,185,000. The bond proceeds refunded the remaining balance of the 2005B bonds in the amount of $2,235,000. The refunding resulted in a cash flow savings of $235,568 and an economic gain of $201,219. However for accounting purposes, this transaction resulted in a deferred loss, in the amount of $57,344, which has been included in deferred charges on refunding in the Statement of Net Position. Interest rates range from 2% - 4%. The bonds mature October 1, 2018. Annual debt service requirements as of June 30, 2015 follow:

Fiscal Year		Principal	Interest	Total
2016	$	520,000	69,288	589,288
2017		530,000	53,350	583,350
2018		560,000	34,200	594,200
2019		575,000	11,500	586,500
Total	$	2,185,000	168,338	2,353,338

Defeased Bonds – In fiscal year 2012, Ketchikan Gateway Borough partially defeased its general obligation 2005B series bonds. At June 30, 2015, $130,000 of bonds outstanding is considered defeased, and the trust account assets and the liability for the defeased bonds are not included in the Borough's financial statements.

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2015:

Governmental Activities		Outstanding 7/1/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
GO Bonds - 2005B	$	3,260,000	-	3,260,000	-	-
GO Bonds - 2006A		255,000	-	125,000	130,000	130,000
GO Bonds - 2009A		1,125,000	-	550,000	575,000	575,000
GO Bonds - 2009B & C		20,425,000	-	-	20,425,000	-
GO Bonds - 2010A One		3,820,000	-	575,000	3,245,000	600,000
GO Bonds - 2010B Four		2,850,000	-	210,000	2,640,000	215,000
GO Bonds - 2011 III		4,505,000	-	415,000	4,090,000	435,000
GO Bonds - 2012 II		3,060,000	-	-	3,060,000	565,000
GO Bonds - 2013 One		4,505,000	-	425,000	4,080,000	440,000
GO Bonds - 2015A One		-	2,185,000	-	2,185,000	520,000
Certificates of Participation						
C of P 2010A-1		595,000	-	140,000	455,000	145,000
C of P 2010A-2		3,700,000	-	-	3,700,000	-
Compensated absences		688,495	597,917	640,833	645,579	645,579
Total Governmental Activities	$	48,788,495	2,782,917	6,340,833	45,230,579	4,270,579
Business-Type Activities						
Compensated absences	$	221,614	186,023	182,819	224,818	189,997
Total Business-Type Activities	$	221,614	186,023	182,819	224,818	189,997

The general obligation bonds and certificates of participation for governmental activities are being retired by the general obligation bond debt service and certificate of participation funds.

The compensated absences liability is being liquidated from the fund from which the employees' salaries are paid. These funds include the General Fund, Land Trust Fund, Commercial Passenger Vessel Fund, Economic Development Assistance Program Fund, South Tongass Service Area, North Tongass Fire & EMS Service Area, and the Airport Enterprise Fund.

3-I. Pensions

Defined Benefit Pension Plan

Ketchikan Gateway Borough (Borough) participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers.

Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these footnotes.

Alaska Statute 39.35.255 requires PERS employers to contribute to the plan at the rate of 22% of salaries. Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contributions under AS 39.35.255, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Management Retirement Board.

Although AS 39.35.280 calls for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that this statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that payments under AS 39.35.280 are *not* in a special funding situation.

Management of the Borough strongly disagrees with the State's position and believes that AS 39.35.280 constitutes a special funding situation for the State under GASB 68 rules and the Borough has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter. Management of the Borough also strongly disagrees with the State's methodology for calculating the Borough's and its component unit the Ketchikan Gateway Borough School District's proportional share of net pension liability, and believe the allocations are materially flawed. For the purposes of compliance with GASB 68, the Borough maintains that the contributions required by AS 39.35.255 are the only legal obligations of the Borough. However, for external accounting and reporting, the Borough has recorded this activity based on the allocations provided by the State.

The borough records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the enterprise funds and government-wide financial statements.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

Actuarial Required Contribution (ARC): This is the rate calculated by the actuary to determine the amount of State assistance or on-behalf payments required in addition to the employer effective rate, and is formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term, extended by nine years, and which ends in 2039. This will result in lower Actually Required Contribution rates in future years, but substantial additional contributions over time..

On-behalf Contribution Rate: This is the rate paid in by the State as State assistance or 'on-behalf' payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the Actuarial Required Contribution Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of $1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund financial statements, the on-behalf amounts for the previous year are included in revenue, and the current year's on-behalf payments have been eliminated, consistent with a special funding situation.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

The GASB rate and the Actuarial Required Contribution Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

	Employer Effective Rate	ARC Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Defined Benefits OPEB below)	9.46%	18.94%	0.00%	55.07%
Total Contribution Rate	22.00%	44.03%	42.41%	88.12%

In 2015, the Borough was credited with the following contributions into the pension plan. $576,131 Borough contributions and $2,551,377 in on-behalf contributions.

In addition, employee contributions to the plan totaled $238,067 during the Borough fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2015
Borough proportionate share of NPL	$ 6,567,341
State's proportionate share of NPL associated with the Borough	5,516,963
Total Net Pension Liability	$ 12,084,304

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the Borough's proportion was 0.14080501 percent, which was an increase of 0.00509874 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Borough recognized pension expense of $1,041,239 and on-behalf revenue of $453,683 for support provided by the State. At June 30, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investedment	-	758,751
Changes in proportion and differences between Borough contributions and proportionate share of contributions	151,340	-
Borough contributions subsequent to the measurement date	555,712	-
Total Deferred Outflows and Deferred Inflows	$ 707,052	758,751

The $576,131 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	$ 73,273
2017	154,763
2018	189,688
2019	189,687

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return/Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace Officers/Firefighers. 75% for male and 55% for female for pre-termination for all others, and 100% for males and 1-year set-forward for females for post-termination.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected **r**ate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table, note that the rates shown below exclude the inflation component:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100%	$ 6,115,581,980	4,664,148,458	3,441,888,494
Borough's proportionate share of the net pension liability	0.14080501%	8,611,046	6,567,341	4,846,351

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

<u>Defined Contribution Pension Plan</u>

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2015, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2015 were $115,758 and $185,114, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

Defined Benefit OPEB

As part of its participation in the PERS DB Plan (Tiers I, II, III), the Borough participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The Borough is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were $348,170 and $371,555, respectively.

	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2015	$ 429,917	429,917	100%
2014	527,826	527,826	100%
2013	590,381	590,381	100%

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
	1.88%	2.72%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of ***all employees of all employers*** in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,961 per year for each full-time employee, and $1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed $129,019 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

International Brotherhood of Electrical Workers

General Information About the Plan

The Borough is a participant in a "collective bargaining agreement" with the International Brotherhood of Electrical Workers, Local 1547, AFL-CIO (IBEW). The Borough recognizes the Union as the sole and exclusive bargaining agent for all full-time and part-time regular employees in the job classifications as identified by the agreement.

The Borough makes contributions to the Alaska Electrical Pension Trust (AEPT) retirement plan on behalf of regular employees covered under a collective bargaining agreement. For the purpose of computing the Borough's contribution, compensable hours include overtime hours, vacation, holiday hours, PTO, jury duty, and funeral leave for which the employee receives compensation except when those benefits are paid on the termination of employment. The Borough's contribution rate was $3.00 per hour until April 1, 2015, and increased to $3.25 per hour after April 1, 2015. The trustees of the respective plans approve all proposed changes.

AEPT does issue a publicly available financial report. To obtain a copy of the full annual report, or any part, write or call the Administrative Office.

Alaska Electrical Pension Trust
Administrator
2600 Denali Street, Suite 200
Anchorage, Alaska 99503
Phone: (907) 276-1246

The Borough has 20 covered IBEW employees. The pension plan provides for retirement, death and disability, and post-employment health care benefits. Benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. AEPT is a defined benefit pension plan.

The current collective-bargaining agreement ends on March 31, 2017, and will continue in full force and be effect from year to year, unless a notice of desire to amend the agreement is served by either party upon the other at least 90 days prior to the date of expiration. If notice to amend is given, negotiations will commence within 30 days following the date of the notice, and the agreement shall remain in effect until the terms of a new or amended agreement are agreed upon; provided, however, that if a notice to amend is timely given, either party may at any time notify the other in writing of its desire to terminate the agreement as of a date stated in a notice to terminate, and the date of termination shall be at least ten days subsequent to the giving of the notice to terminate.

If any Article, Section or provisions in the agreement is declared invalid by reason of any existing or subsequently enacted statue, ordinance or other law, or by a judgment of any court, the invalidation of any such Article, Section or provision will not affect the remaining portions and the other parts and provisions will remain in effect. Upon the invalidation of any Article, Section or provision, the parties will meet and negotiate the parts and provisions affected within 30 days from the date the invalidation is communicated to them; as long as the parties mutually agree to extend the time for negotiations.

In 2015 the Borough contributed $109,054 in contributions to the plan.

3-J. Net Investment in Capital Assets

The "Net Investment in Capital Assets" on the government-wide statement of net assets as of June 30, 2015 is as follows:

Net investment in capital assets	Governmental Activities	Business Type Activities
Cost of capital assets	$ 214,266,515	$ 46,133,111
Less accumulated depreciation	(49,338,318)	(17,976,970)
Book value	164,928,197	28,156,141
Less capital related debt	(46,409,863)	-
Plus deferred loss on refunding	524,933	-
Plus unspent bond proceeds	2,234,721	-
Net investment in capital assets	$ 121,277,988	$ 28,156,141

Restricted net position for governmental activities consists of the following at June 30, 2015:

		Governmental Activities
Net Position		
Restricted:		
Capital Projects	$	1,246,628
Commercial passenger vessel impact		2,245,844
Dock improvements		15,286
Library operations		82,028
Public safety and water		145,426
Recreation		2,753,117
Road maintenance		330,891
Total Restricted	$	6,819,220

Note 4 - Other Notes

4-A. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The Borough has purchased insurance through commercial carriers to cover these risks. Insurance coverage includes general liability, property and casualty coverage, Worker's Compensation at statutory amounts, and marine coverage for the Borough's vessels.

The Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) established a partially self-funded health plan to cover its employees' health care coverage (including dental and vision) effective September 1, 1996. It purchases stop loss insurance at $150,000 per covered individual and in an aggregate amount based on employee coverage. It also purchases life and accidental death and dismemberment insurance for eligible employees.

Both the component unit and Borough participate in the internal service fund established to record transactions involving the partially self-funded health plan. The Borough and the Component Unit contribute to the Borough's internal service fund and the payments from the fund are used to pay administration and employee health care claims.

The Ketchikan Gateway Borough provides an accounting of the internal service fund balances for the Borough and Component Unit on a quarterly basis. Meritain's plan is based on actuarially determined monthly fixed costs and actual claims up to the stop loss of $150,000 per person. The difference between the liability recorded and actual incurred but unrecorded claims may be material.

Ketchikan Gateway Borough booked a liability for claims for services provided to Borough and School District employees prior to June 30, 2015, but not billed until after fiscal year end. The amount booked for the Borough was $91,199 and $168,207 was booked for the Ketchikan Gateway Borough School District.

The liability booked for claims was based on actual claims for services provided prior to fiscal year-end and was provided by Meritain.

Effective FY2004, the International Brotherhood of Electrical Workers (IBEW) elected to have its membership enroll in the Alaska Electrical Health & Welfare Fund (AEH&WF). The Borough contributes to the IBEW plan based on the membership of the union. Currently the Borough contributes $1,661 per month per member. The portion paid on behalf of IBEW employees is reported at the Fund level as "premiums."

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Borough's insurance coverage during the past three years.

A schedule of the changes in the claims liability for the years ended June 30, 2014 and June 30, 2015 follows:

		Ketchikan Gateway Borough	Borough School District	Total
Claims payable at June 30, 2013	$	105,123	250,637	355,760
Premiums expense		308,887	-	308,887
Claims expense		1,369,951	4,291,942	5,661,893
Claims and premiums paid		(1,723,761)	(4,277,002)	(6,000,763)
Claims payable at June 30, 2014		60,200	265,577	325,777
Premiums expense		349,679	-	349,679
Claims expense		1,902,812	3,914,838	5,817,650
Claims and premiums paid		(2,221,492)	(4,012,208)	(6,233,700)
Claims payable at June 30, 2015	$	91,199	168,207	259,406

4-B. Contingent Liabilities

Unasserted Claim - The Borough is involved in a construction project dispute regarding the Gateway Aquatic center roof. The costs to repair were $320,000. The Borough and the contractor are in negotiations to resolve the dispute. The expected cost to the Borough is approximately $100,000. The funds for this are currently available from the appropriated project funds.

Grants - The Borough has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Borough believes such disallowances, if any, will be immaterial.

Note 5 – New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that the GASB Statement 75 will result in the biggest reporting change. Actual impacts have not yet been determined.

GASB 72 - Fair Value Measurement and Application – Effective for year-end June 15, 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB 73 - ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 -*** Effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB 74 - ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans –*** Effective for year-end after June 15, 2016. This statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decision and assessing accountability.

GASB 75 - ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions -*** Effective for year-end after June 15, 2017. This statement is to improve accounting and financial reporting by state and local governments for postemployement benefits other than pension (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB 76 - ***The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*** Effective for year-end after June 15, 2015. This statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes GASB 55 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB 77 - ***Tax Abatement Disclosures –*** Effective for year-end after December 15, 2016. This statement requires governments that enter into tax abatement agreements to disclose the following information about agreements: brief descriptive information, gross dollar amount of taxes abated during the period, commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Ketchikan Gateway Borough

Schedule of the Borough's Information on the Net Pension Liability

Public Employees Retirement System

Last Fiscal Year

Table 1

Year Ended June 30, Measurement Date June 30,		2015 2014
Borough's proportion of the net pension liability		0.14080501%
Borough's proportionate share of the net pension liability	$	6,567,341
State of Alaska proportionate share of the net pension liability		5,516,963
Total net pension liability		12,084,304
Borough's covered-employee payroll		3,149,645
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll		209%
Plan fiduciary net position as a percentage of the total pension liability		62.37%

See accompanying notes to Required Supplementary Information.

Ketchikan Gateway Borough
Schedule of Borough Contributions
Public Employees Retirement System
Last Fiscal Year

Table 2

Year Ended June 30,		2015
Contractually required contribution	$	576,131
Contributions in relation to the contractually required contribution		576,131
Contribution deficiency (excess)	$	-
Borough's covered-employee payroll		3,232,281
Contributions as a percentage of covered-employee payroll		17.824%

See accompanying notes to Required Supplementary Information.

Ketchikan Gateway Borough

Schedule of Borough Contributions

International Brotherhood of Electrical Workers (IBEW)

Last 10 Fiscal Years

Table 3

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 109,054	108,190	113,469	113,830	104,883	121,065	124,377	104,081	97,110	96,643
Contributions in relation to the contractually required contribution	$ 109,054	108,190	113,469	113,830	104,883	121,065	124,377	104,081	97,110	96,643
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Borough's covered-employee payroll	$ 709,780	742,885	837,252	696,453	646,618	706,466	734,761	666,362	684,757	645,231
Contributions as a percentage of covered-employee payroll	15.36%	14.56%	13.55%	16.34%	16.22%	17.14%	16.93%	15.62%	14.18%	14.98%

See accompanying notes to Required Supplementary Information.

Schedule of the Borough's Information on the Net Pension Liability – Public Employees Retirement System

Table 1 is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

Schedule of Borough Contributions – Public Employees Retirement System

Table 2 is based on the Borough's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

Both pension tables are intended to present 10 years of information. Additional years information will be added to the schedules as it becomes available.

International Brotherhood of Electrical Workers (IBEW)

Table 3 is based on the Borough's contributions based on the Borough's fiscal year. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.

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NONMAJOR GOVERNMENTAL FUNDS

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

		Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$	3,790,524	-	3,790,524
Prepaid items		77,641	-	77,641
Restricted cash and investments		1,706,436	5,324	1,711,760
Receivables:				
Accounts		55,475	-	55,475
Intergovernmental		2,422	228,417	230,839
Property taxes		5,672	-	5,672
Sales taxes		488,803	-	488,803
Total Assets	$	6,126,973	233,741	6,360,714
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts payable	$	102,693	-	102,693
Interfund payable		-	228,417	228,417
Interfund advances payable		571,632	-	571,632
Unearned revenue		44,133	-	44,133
Total Liabilities		718,458	228,417	946,875
Deferred Inflows				
Property tax revenues		3,500	-	3,500
Total Liabilities and Deferred Inflows		721,958	228,417	950,375
Fund Balances				
Nonspendable		77,641	-	77,641
Restricted		5,572,592	5,324	5,577,916
Unassigned (deficit)		(245,218)	-	(245,218)
Total Fund Balances		5,405,015	5,324	5,410,339
Total Liabilities, Deferred Inflows and Fund Balances	$	6,126,973	233,741	6,360,714

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

		Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	$	3,238,265	-	3,238,265
Intergovernmental		420,692	-	420,692
Charges for services		342,055	-	342,055
Water fees		251,863	-	251,863
Commercial passenger vessel tax		2,032,375	-	2,032,375
Interest subsidy		-	458,053	458,053
Investment earnings		922	-	922
Miscellaneous		400,851	-	400,851
Total Revenues		6,687,023	458,053	7,145,076
Expenditures				
Current				
Library services		405,199	-	405,199
Fire and EMS		1,388,627	-	1,388,627
Water treatment and distribution		324,110	-	324,110
Public services		2,527,046	-	2,527,046
Capital Outlay		527,742	-	527,742
Debt Service				
Principal retirement		-	3,465,000	3,465,000
Interest and fiscal charges		-	2,403,755	2,403,755
Bond issuance costs		-	17,318	17,318
Total Expenditures		5,172,724	5,886,073	11,058,797
Excess (Deficiency) of Revenues Over Expenditures		1,514,299	(5,428,020)	(3,913,721)
Other Financing Sources (Uses)				
Refunding bonds issued		-	2,185,000	2,185,000
Bond premium		-	129,986	129,986
Payment to bond refunding escrow agent		-	(2,292,344)	(2,292,344)
Transfers in		615,351	5,410,702	6,026,053
Transfers out		(3,159,259)	-	(3,159,259)
Total Other Financing Sources (Uses)		(2,543,908)	5,433,344	2,889,436
Net Change in Fund Balances		(1,029,609)	5,324	(1,024,285)
Fund Balances Beginning of Year		6,434,624	-	6,434,624
Fund Balances End of Year	$	5,405,015	5,324	5,410,339

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2015

	Airport PFC	Commercial Passenger Vessel	Forest Park Service Area	Gold Nugget Service Area	Homestead Service Area	Loring Service Area	Mud Bight Service Area
Assets							
Cash and investments	$ -	540,705	145,335	64,499	62,805	59,398	57,292
Restricted cash and investments	-	1,706,436	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Receivables:							
Accounts	43,496	-	108	441	-	-	38
Intergovernmental	-	-	-	-	-	21	-
Property taxes	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-
Total Assets	$ 43,496	2,247,141	145,443	64,940	62,805	59,419	57,330
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts payable	$ -	1,297	6,078	-	83	-	-
Interfund advances payable	114,674	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	44,133	-
Total Liabilities	114,674	1,297	6,078	-	83	44,133	-
Deferred Inflows							
Property tax revenues	-	-	-	-	-	-	-
Total Liabilities and Deferred Inflows	114,674	1,297	6,078	-	83	44,133	-
Fund Balances (Deficits)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	2,245,844	139,365	64,940	62,722	15,286	57,330
Unassigned (deficit)	(71,178)	-	-	-	-	-	-
Total Fund Balances (Deficits)	(71,178)	2,245,844	139,365	64,940	62,722	15,286	57,330
Total Liabilities, Deferred Inflows and Fund Balances	$ 43,496	2,247,141	145,443	64,940	62,805	59,419	57,330

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet, continued

		Nichols View Service Area	Non-areawide Library	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Assets								
Cash and investments	$	6,534	81,354	297,134	2,290,499	153,183	31,786	3,790,524
Restricted cash and investments		-	-	-	-	-	-	1,706,436
Prepaid items		-	-	77,641	-	-	-	77,641
Receivables:								
Accounts		-	-	40	-	9,395	1,957	55,475
Intergovernmental		-	674	916	-	811	-	2,422
Property taxes		-	1,331	3,710	-	631	-	5,672
Sales taxes		-	-	-	488,803	-	-	488,803
Total Assets	$	6,534	83,359	379,441	2,779,302	164,020	33,743	6,126,973
Liabilities, Deferred Inflows, and Fund Balances								
Liabilities								
Accounts payable	$	-	-	47,282	26,185	18,594	3,174	102,693
Interfund advances payable		-	-	403,294	-	-	53,664	571,632
Unearned revenue		-	-	-	-	-	-	44,133
Total Liabilities		-	-	450,576	26,185	18,594	56,838	718,458
Deferred Inflows								
Property tax revenues		-	1,331	2,169	-	-	-	3,500
Total Liabilities and Deferred Inflows		-	1,331	452,745	26,185	18,594	56,838	721,958
Fund Balances (Deficits)								
Nonspendable		-	-	77,641	-	-	-	77,641
Restricted		6,534	82,028	-	2,753,117	145,426	-	5,572,592
Unassigned (deficit)		-	-	(150,945)	-	-	(23,095)	(245,218)
Total Fund Balances (Deficits)		6,534	82,028	(73,304)	2,753,117	145,426	(23,095)	5,405,015
Total Liabilities, Deferred Inflows and Fund Balances	$	6,534	83,359	379,441	2,779,302	164,020	33,743	6,126,973

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
For the Year Ended June 30, 2015

	Airport PFC	Commercial Passenger Vessel	Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment Area	Homestead Service Area	Loring Service Area	Mud Bight Service Area
Revenues								
Taxes	$ -	-	59,567	-	-	-	2,182	-
Intergovernmental	-	-	-	-	-	-	18,245	-
Charges for services	-	-	-	23,596	-	31,545	-	8,436
Water fees	-	-	-	-	-	-	-	-
Commercial passenger vessel tax	-	2,032,375	-	-	-	-	-	-
Investment earnings (loss)	-	931	-	-	-	-	-	-
Miscellaneous	386,246	12,448	-	-	-	-	-	-
Total Revenues	386,246	2,045,754	59,567	23,596	-	31,545	20,427	8,436
Expenditures								
Current								
Library services	-	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-	-
Public services	-	2,318,371	49,843	5,235	-	14,598	19,900	4,485
Capital Outlay	-	93,625	-	-	-	-	-	-
Total Expenditures	-	2,411,996	49,843	5,235	-	14,598	19,900	4,485
Excess (Deficiency) of Revenues Over Expenditures	386,246	(366,242)	9,724	18,361	-	16,947	527	3,951
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	2,517	4,346	-	-
Transfers out	-	(1,287,232)	-	(2,517)	-	-	-	-
Total Other Financing Sources (Uses)	-	(1,287,232)	-	(2,517)	2,517	4,346	-	-
Net Change in Fund Balances (Deficits)	386,246	(1,653,474)	9,724	15,844	2,517	21,293	527	3,951
Fund Balances (Deficits) Beginning of Year	(457,424)	3,899,318	129,641	49,096	(2,517)	41,429	14,759	53,379
Fund Balances (Deficits) End of Year	$ (71,178)	2,245,844	139,365	64,940	-	62,722	15,286	57,330

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Nichols View Service Area	Nonareawide Library	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Revenues							
Taxes	$ -	406,480	597,426	1,704,022	468,588	-	3,238,265
Intergovernmental	-	-	87,456	246,992	67,999	-	420,692
Charges for services	-	-	174,874	-	76,862	26,742	342,055
Water fees	-	-	-	-	251,863	-	251,863
Commercial passenger vessel tax	-	-	-	-	-	-	2,032,375
Investment earnings (loss)	-	-	(9)	-	-	-	922
Miscellaneous	-	-	223	-	1,934	-	400,851
Total Revenues	-	406,480	859,970	1,951,014	867,246	26,742	6,687,023
Expenditures							
Current							
Library services	-	405,199	-	-	-	-	405,199
Fire and EMS	-	-	732,864	-	655,763	-	1,388,627
Water treatment and distribution	-	-	-	-	324,110	-	324,110
Public services	500	-	-	97,777	-	16,337	2,527,046
Capital Outlay	-	-	50,700	179,240	204,177	-	527,742
Total Expenditures	500	405,199	783,564	277,017	1,184,050	16,337	5,172,724
Excess (Deficiency) of Revenues Over Expenditures	(500)	1,281	76,406	1,673,997	(316,804)	10,405	1,514,299
Other Financing Sources (Uses)							
Transfers in	-	17,000	71,214	177,558	342,716	-	615,351
Transfers out	-	-	-	(1,869,510)	-	-	(3,159,259)
Total Other Financing Sources (Uses)	-	17,000	71,214	(1,691,952)	342,716	-	(2,543,908)
Net Change in Fund Balances (Deficits)	(500)	18,281	147,620	(17,955)	25,912	10,405	(1,029,609)
Fund Balances (Deficits) Beginning of Year	7,034	63,747	(220,924)	2,771,072	119,514	(33,500)	6,434,624
Fund Balances (Deficits) End of Year	$ 6,534	82,028	(73,304)	2,753,117	145,426	(23,095)	5,405,015

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DEBT SERVICE FUNDS

Debt Service Funds – These funds are used to account for transfers in from other funds and for principal and interest payments made on the Borough's General Obligation Debt and Certificates of Participation Debt.

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	2005B G.O. Bond Redemption Fund	2006A G.O. Bond Redemption Fund	2009-4 G.O. Bond Redemption Fund	2009-4 G.O. Bond Redemption Fund
Revenues				
Intergovernmental - interest subsidy	$ -	-	-	355,947
Expenditures				
Debt Service				
Principal retirement	1,025,000	125,000	550,000	-
Interest and fiscal charges	108,594	10,200	39,250	1,185,519
Bond issuance costs	-	-	-	-
Total Expenditures	1,133,594	135,200	589,250	1,185,519
Excess (Deficiency) of Revenues Over Expenditures	(1,133,594)	(135,200)	(589,250)	(829,572)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Transfers in	1,133,594	135,200	589,250	829,572
Total Other Financing Sources (Uses)	1,133,594	135,200	589,250	829,572
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-
Fund Balances End of Year	$ -	-	-	-

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	2010A One Certificate of Participation Fund	2010B One Certificate of Participation Fund	2010B 2 Four G.O. Bond Redemption Fund	2010 One G.O. Bond Redemption Fund
Revenues				
Intergovernmental - interest subsidy	$ -	50,109	51,997	-
Expenditures				
Debt Service				
Principal retirement	140,000	-	210,000	575,000
Interest and fiscal charges	22,400	240,244	124,573	147,050
Bond issuance costs	-	-	-	-
Total Expenditures	162,400	240,244	334,573	722,050
Excess (Deficiency) of Revenues Over Expenditures	(162,400)	(190,135)	(282,576)	(722,050)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Transfers in	162,400	190,135	282,576	722,050
Total Other Financing Sources (Uses)	162,400	190,135	282,576	722,050
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-
Fund Balances End of Year	$ -	-	-	-

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	2011 III G.O. Bond Redemption Fund	2012 Two G.O. Bond Redemption Fund	2013 One G.O. Bond Redemption Fund	2015A One G.O. Bond Redemption Fund	Total Nonmajor Debt Service Funds
Revenues					
Intergovernmental - interest subsidy	$ -	-	-	-	458,053
Expenditures					
Debt Service					
Principal retirement	415,000	-	425,000	-	3,465,000
Interest and fiscal charges	205,325	135,450	185,150	-	2,403,755
Bond issuance costs	-	-	-	17,318	17,318
Total Expenditures	620,325	135,450	610,150	17,318	5,886,073
Excess (Deficiency) of Revenues Over Expenditures	(620,325)	(135,450)	(610,150)	(17,318)	(5,428,020)
Other Financing Sources (Uses)					
Refunding bonds issued	-	-	-	2,185,000	2,185,000
Bond premium	-	-	-	129,986	129,986
Payment to bond refunding escrow agent	-	-	-	(2,292,344)	(2,292,344)
Transfers in	620,325	135,450	610,150	-	5,410,702
Total Other Financing Sources (Uses)	620,325	135,450	610,150	22,642	5,433,344
Net Change in Fund Balances	-	-	-	5,324	5,324
Fund Balances Beginning of Year	-	-	-	-	-
Fund Balances End of Year	$ -	-	-	5,324	5,324

GENERAL FUND
and
MAJOR SPECIAL REVENUE FUNDS

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

Land Trust Fund – This fund is used to account for revenues from land sales, loans to other Borough funds, and related expenditures.

School Bond/Capital Improvements Fund – This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ - cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.

Economic Development Assistance Program Fund – This fund is used to account for economic development assistance type expenditures as deemed appropriate by the Borough's Code of Ordinances.

State & Federal Grants Fund – This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements.

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	7,673,753	3,926,830
Receivables:			
Accounts		85,180	88,386
Intergovernmental		237,342	1,202,185
Property taxes		127,696	166,934
Sales taxes		5,026,978	4,612,100
Interfund		1,532,852	2,778,285
Total Assets	$	14,683,801	12,774,720
Liabilities, Deferred Inflows and Fund Balance			
Liabilities			
Accounts payable	$	318,553	379,884
Accrued salaries and benefits		12,040	5,774
Unearned revenues		54,994	51,058
Intergovernmental payable		3,542,518	3,291,303
Due to component unit		250,739	994,659
Deposits payable		79,727	111,545
Total Liabilities		4,258,571	4,834,223
Deferred Inflows			
Property tax revenues		123,705	149,829
Total Liabilities and Deferred Inflows		4,382,276	4,984,052
Fund Balance			
Unassigned		10,301,525	7,790,668
Total Liabilities, Deferred Inflows and Fund Balance	$	14,683,801	12,774,720

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Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes:					
Real and personal property	$ 6,740,706	6,740,706	6,774,612	33,906	6,610,828
Automobile and boat	68,500	65,000	59,301	(5,699)	61,287
Sales	5,464,530	5,464,530	5,145,747	(318,783)	5,190,437
Penalties and interest	50,000	50,000	17,814	(32,186)	21,126
Total taxes	12,323,736	12,320,236	11,997,474	(322,762)	11,883,678
Licenses and permits					
Zoning fees	-	-	275	275	90
Intergovernmental:					
State fisheries tax	730,000	730,000	804,961	74,961	724,747
State revenue sharing	600,000	600,000	629,205	29,205	633,457
PERS relief	538,099	1,504,566	1,608,073	103,507	550,619
Alaska State Housing Authority - PILT	18,000	18,000	35,324	17,324	29,466
Federal payment in lieu of taxes	550,000	550,000	1,017,188	467,188	1,102,193
State operating grant - transit system	1,000,000	1,000,000	1,077,115	77,115	1,184,046
National forest receipts	-	-	1,059,382	1,059,382	1,045,870
Total intergovernmental	3,436,099	4,402,566	6,231,248	1,828,682	5,270,398
Charges for services:					
Animal control	45,000	45,000	38,033	(6,967)	36,866
Bus system revenue	270,000	270,000	200,588	(69,412)	222,236
Parks and recreation	650,000	650,000	775,960	125,960	753,563
Other revenues	640,315	640,315	943,775	303,460	700,286
Total charges for services	1,605,315	1,605,315	1,958,356	353,041	1,712,951
Investment earnings	2,000	2,000	6,156	4,156	1,206
Total Revenues	17,367,150	18,330,117	20,193,509	1,863,392	18,868,323
Other Financing Sources					
Transfers In:					
Commercial Passenger Vessel Fund	626,272	626,272	626,272	-	491,301
Economic Development Assistance Program Fund	120,000	120,000	120,000	-	120,000
Land Trust Fund	221,069	221,069	221,069	-	174,036
Recreation Sales Tax Fund	450,688	450,688	450,688	-	353,480
School Bond Capital Improvements Fund	90,000	90,000	82,600	(7,400)	81,154
Total Other Financing Sources	1,508,029	1,508,029	1,500,629	(7,400)	1,219,971
Total Revenues and Other Financing Sources	$ 18,875,179	19,838,146	21,694,138	1,855,992	20,088,294

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Expenditures					
Current:					
General government:					
Mayor and assembly	$ 173,086	178,559	147,182	31,377	139,080
Manager	916,291	1,034,399	1,015,392	19,007	883,727
Clerk	420,486	470,045	404,960	65,085	401,301
Law	670,016	474,412	460,567	13,845	365,259
Finance	1,294,009	1,471,581	1,608,231	(136,650)	1,310,627
Assessment	728,315	823,344	790,599	32,745	711,123
Automation	456,276	488,285	440,128	48,157	401,405
Total general government	4,658,479	4,940,625	4,867,059	73,566	4,212,522
Less recovery of expenditures from other funds	(843,107)	(843,107)	(843,108)	1	(628,273)
Net general government	3,815,372	4,097,518	4,023,951	73,567	3,584,249
Public services:					
Animal protection	519,272	580,087	547,685	32,402	479,994
Planning	677,458	769,763	661,369	108,394	665,586
Total public services	1,196,730	1,349,850	1,209,054	140,796	1,145,580
Parks and recreation	2,453,414	2,487,633	2,325,059	162,574	2,306,465
Public works	1,067,062	1,152,678	1,093,458	59,220	1,030,382
Transit - bus system	2,132,672	2,312,804	2,173,103	139,701	1,994,798
Nondepartmental	298,820	298,820	272,048	26,772	260,433
Education	7,899,000	7,899,000	7,899,000	-	8,050,000
Capital Outlay	137,351	137,351	126,162	11,189	142,335
Total Expenditures	19,000,421	19,735,654	19,121,835	613,819	18,514,242
Other Financing Uses					
Transfers Out:					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	4,346	4,346	4,346	-	2,805
Fire and EMS	51,600	51,600	51,600	-	51,600
Total Other Financing Uses	61,446	61,446	61,446	-	59,905
Total Expenditures and Other Financing Uses	19,061,867	19,797,100	19,183,281	613,819	18,574,147
Net Change in Fund Balance	$ (186,688)	41,046	2,510,857	2,469,811	1,514,147
Fund Balance Beginning of Year			7,790,668		6,276,521
Fund Balance End of Year			$ 10,301,525		7,790,668

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments:			
Unrestricted	$	2,573,556	1,646,197
Restricted		407,652	407,596
Receivables:			
Accounts		2,905	1,101
Interfund advances		917,303	1,097,733
Total Assets	$	3,901,416	3,152,627
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	18,358	4,842
Deposits		11,841	11,841
Total Liabilities		30,199	16,683
Fund Balance			
Committed:			
Noncurrent portion of notes and advances		769,596	917,304
Borough-owned land management		3,101,621	2,218,640
Total Fund Balance		3,871,217	3,135,944
Total Liabilities and Fund Balance	$	3,901,416	3,152,627

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	$ 465,014	465,014	486,217	21,203	426,778
Intergovernmental	3,015	9,348	10,264	916	-
Investment earnings	-	-	40,496	40,496	46,479
Proceeds from sale of property	250,000	250,000	87,322	(162,678)	473,320
Miscellaneous	-	-	1,140	1,140	16,514
Total Revenues	718,029	724,362	625,439	(98,923)	963,091
Expenditures					
Current					
Public services	582,453	588,786	324,329	264,457	307,504
Capital Outlay	300,000	300,000	-	300,000	-
Total Expenditures	882,453	888,786	324,329	564,457	307,504
Excess (Deficiency) of Revenues Over Expenditures	(164,424)	(164,424)	301,110	465,534	655,587
Other Financing Sources (Uses)					
Transfers in	6,748	6,748	1,007,767	1,001,019	-
Transfers out	(515,603)	(515,603)	(573,604)	(58,001)	(480,554)
Total Other Financing Sources (Uses)	(508,855)	(508,855)	434,163	943,018	(480,554)
Net Change in Fund Balance	$ (673,279)	(673,279)	735,273	1,408,552	175,033
Fund Balance Beginning of Year			3,135,944		2,960,911
Fund Balance End of Year		$	3,871,217		3,135,944

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	4,131,939	3,939,111
Receivables:			
Intergovernmental		27,651	27,574
Sales taxes		488,803	470,073
Total Assets	$	4,648,393	4,436,758
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	14,314	4,950
Fund Balance			
Committed for education		4,634,079	4,431,808
Total Liabilities and Fund Balance	$	4,648,393	4,436,758

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 1,797,710	1,797,710	1,698,074	(99,636)	1,711,478
Intergovernmental	2,696,394	2,696,394	2,517,988	(178,406)	2,513,044
Penalties and interest	10,000	10,000	5,948	(4,052)	6,130
Investment earnings	-	-	-	-	849
Total Revenues	4,504,104	4,504,104	4,222,010	(282,094)	4,231,501
Expenditures					
Current					
Public services	71,400	71,400	41,282	30,118	5,414
Capital Outlay	-	-	21,255	(21,255)	285,554
Total Expenditures	71,400	71,400	62,537	8,863	290,968
Excess of Revenues Over Expenditures	4,432,704	4,432,704	4,159,473	(273,231)	3,940,533
Other Financing Sources (Uses)					
Transfers in	-	84,507	84,507	-	-
Transfers out	(4,104,842)	(4,261,753)	(4,041,709)	220,044	(3,878,115)
Total Other Financing Sources (Uses)	(4,104,842)	(4,177,246)	(3,957,202)	220,044	(3,878,115)
Net Change in Fund Balance	$ 327,862	255,458	202,271	(53,187)	62,418
Fund Balance Beginning of Year			4,431,808		4,369,390
Fund Balance End of Year			$ 4,634,079		4,431,808

Ketchikan Gateway Borough, Alaska

Economic Development Assistance Program Special Revenue Fund

Comparative Balance Sheet

June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	2,177,437	5,440,678
Receivables:			
Accounts		21,599	4,864
Note		171,000	-
Interfund		491,528	1,063,413
Total Assets	$	2,861,564	6,508,955
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	137,894	82,606
Deposits		-	1,000
Total Liabilities		137,894	83,606
Fund Balance			
Committed for noncurrent portion of notes and advances		662,528	1,063,413
Assigned for economic development		2,061,142	5,361,936
Total Fund Balance		2,723,670	6,425,349
Total Liabilities and Fund Balance	$	2,861,564	6,508,955

Ketchikan Gateway Borough, Alaska

Economic Development Assistance Program Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Intergovernmental	$ 7,120	22,073	10,890	(11,183)	-
Charges for services	-	-	1,000	1,000	151
Investment earnings	-	-	-	-	1,480
Total Revenues	7,120	22,073	11,890	(10,183)	1,631
Expenditures					
Current					
Public services	3,507,063	3,810,016	3,593,569	216,447	912,005
Excess (Deficiency) of Revenues Over Expenditures	(3,499,943)	(3,787,943)	(3,581,679)	206,264	(910,374)
Other Financing Uses					
Transfers out	(120,000)	(120,000)	(120,000)	-	(120,000)
Net Change in Fund Balance	$ (3,619,943)	(3,907,943)	(3,701,679)	206,264	(1,030,374)
Fund Balance Beginning of Year			6,425,349		7,455,723
Fund Balance End of Year		$	2,723,670		6,425,349

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Prepaid items	$	60,783	-
Intergovernmental receivable		1,118,578	2,591,120
Total Assets	$	1,179,361	2,591,120
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	123,257	217,307
Interfund payable		1,056,104	2,373,813
Total Liabilities		1,179,361	2,591,120
Fund Balance			
Nonspendable		60,783	-
Unassigned (deficit)		(60,783)	-
Total Fund Balance		-	-
Total Liabilities and Fund Balance	$	1,179,361	2,591,120

Ketchikan Gateway Borough, Alaska
State and Federal Grants Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Intergovernmental	$ 2,263,264	1,716,032
Expenditures		
Current		
Public services	586,294	641,155
Capital Outlay	669,204	1,074,877
Total Expenditures	1,255,498	1,716,032
Excess of Revenues Over Expenditures	1,007,766	-
Other Financing Uses		
Transfers out	(1,007,766)	-
Net Change in Fund Balance	-	-
Fund Balance Beginning of Year	-	-
Fund Balance End of Year	$ -	-

NONMAJOR SPECIAL REVENUE FUNDS

Airport Passenger Facilities Charges (PFC) – This fund is used to account for PFC revenues received from varying airlines. These funds are used to pay for the principal and interest payments of the Airport revenue bonds.

Commercial Passenger Vessel Fund (CPV) – This fund is used to account for CPV revenues received from the State of Alaska. These funds will be used to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

Forest Park Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Gold Nugget Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Gold Nugget Special Assessment Fund – This fund is used to account for revenues assessed on property owners to pay for road improvements within the Gold Nugget Service Area.

Homestead Service Area Fund – This fund is used to account for revenues assessed on property owners to pay for road maintenance within the Homestead Service Area.

Loring Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Mud Bight Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Nichols View Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Non-Areawide Library Fund – This fund is used to account for the collection of property and motor vehicle taxes, which are used to pay the allocated cost for the City of Ketchikan Library operations.

North Tongass Fire & EMS Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Recreation Sales Tax Fund – This fund is used to account for the receipt of twenty percent (20%) of all Borough sales tax revenues. These revenues may only be expended for bonafide recreation costs in the following proportion: eighty percent (80%) for recreation capital improvement projects, and twenty percent (20%) for maintenance and operation costs of Borough recreation facilities.

South Tongass Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Waterfall Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Accounts receivable	$	43,496	67,512
Liabilities			
Interfund advances payable	$	114,674	524,936
Fund Balance			
Unassigned (deficit)		(71,178)	(457,424)
Total Liabilities and Fund Balance	$	43,496	67,512

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Deficit - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
PFC revenues	$ 325,000	325,000	386,246	61,246	362,088
Net Change in Fund Balance	$ 325,000	325,000	386,246	61,246	362,088
Deficit Beginning of Year			(457,424)		(819,512)
Deficit End of Year		$	(71,178)		(457,424)

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	540,705	-
Restricted cash and investments		1,706,436	4,038,584
Total Assets	$	2,247,141	4,038,584
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	1,297	139,266
Fund Balance			
Restricted for commercial passenger vessel impact		2,245,844	3,899,318
Total Liabilities and Fund Balance	$	2,247,141	4,038,584

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Intergovernmental	$ 12,298	38,127	-	(38,127)	-
Commercial passenger vessel tax	2,000,000	2,000,000	2,032,375	32,375	2,240,210
Investment earnings	-	-	931	931	2,277
Miscellaneous	-	-	12,448	12,448	-
Total Revenues	2,012,298	2,038,127	2,045,754	7,627	2,242,487
Expenditures					
Current					
Public services	1,741,198	2,338,727	2,318,371	20,356	1,376,784
Capital Outlay	1,550	15,500	93,625	(78,125)	9,473
Total Expenditures	1,742,748	2,354,227	2,411,996	(57,769)	1,386,257
Excess (Deficiency) of Revenues Over Expenditures	269,550	(316,100)	(366,242)	(50,142)	856,230
Other Financing Uses					
Transfers out	(1,270,232)	(1,287,232)	(1,287,232)	-	(877,021)
Net Change in Fund Balance	$ (1,000,682)	(1,603,332)	(1,653,474)	(50,142)	(20,791)
Fund Balance Beginning of Year			3,899,318		3,920,109
Fund Balance End of Year			$ 2,245,844		3,899,318

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	145,335	129,898
Receivables:			
Accounts		108	205
Total Assets	$	145,443	130,103
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	6,078	462
Fund Balance			
Restricted for road maintenance		139,365	129,641
Total Liabilities and Fund Balance	$	145,443	130,103

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 59,515	59,515	59,567	52	58,297
Investment earnings	-	-	-	-	32
Total Revenues	59,515	59,515	59,567	52	58,329
Expenditures					
Current					
Public services	94,340	94,340	49,843	44,497	84,563
Net Change in Fund Balance	$ (34,825)	(34,825)	9,724	44,549	(26,234)
Fund Balance Beginning of Year			129,641		155,875
Fund Balance End of Year		$	139,365		129,641

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	64,499	48,467
Accounts receivable		441	629
Total Assets	$	64,940	49,096
Fund Balance			
Restricted for road maintenance	$	64,940	49,096

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	$ 23,520	23,520	23,596	76	23,435
Investment earnings	-	-	-	-	9
Total Revenues	23,520	23,520	23,596	76	23,444
Expenditures					
Current					
Public services	33,920	33,920	5,235	28,685	14,726
Excess (Deficiency) of Revenues Over Expenditures	(10,400)	(10,400)	18,361	28,761	8,718
Other Financing Uses					
Transfers out	(2,517)	(2,517)	(2,517)	-	-
Net Change in Fund Balance	$ (12,917)	(12,917)	15,844	28,761	8,718
Fund Balance Beginning of Year			49,096		40,378
Fund Balance End of Year			$ 64,940		49,096

Ketchikan Gateway Borough, Alaska

Gold Nugget Special Assessment Area Special Revenue Fund

Comparative Balance Sheet

June 30, 2015 and 2014

		2015	2014
Assets			
Accounts receivable	$	-	-
Liabilities and Fund Balance			
Liabilities	$		
Interfund payable		-	2,517
Fund Balance			
Unassigned (deficit)		-	(2,517)
Total Liabilities and Fund Balance	$	-	-

Ketchikan Gateway Borough, Alaska

Gold Nugget Special Assessment Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Other Financing Sources					
Transfers in	2,517	2,517	2,517	-	-
Net Change in Fund Balance	$ 2,517	2,517	2,517	-	-
Fund Balance (Deficit) Beginning of Year			(2,517)		(2,517)
Fund Balance (Deficit) End of Year			$ -		(2,517)

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	62,805	41,512
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$	83	83
Fund Balance			
Restricted for road maintenance		62,722	41,429
Total Liabilities and Fund Balance	$	62,805	41,512

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	$ 35,660	35,660	31,545	(4,115)	23,061
Investment earnings	-	-	-	-	14
Total Revenues	35,660	35,660	31,545	(4,115)	23,075
Expenditures					
Current					
Public services	27,348	27,348	14,598	12,750	33,733
Excess (Deficiency) of Revenues Over Expenditures	8,312	8,312	16,947	8,635	(10,658)
Other Financing Sources					
Transfers in	4,346	4,346	4,346	-	2,805
Net Change in Fund Balance	$ 12,658	12,658	21,293	8,635	(7,853)
Fund Balance Beginning of Year			41,429		49,282
Fund Balance End of Year			$ 62,722		41,429

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	59,398	80,588
Intergovernmental receivable		21	25
Total Assets	$	59,419	80,613
Liabilities			
Accounts payable	$	-	3,476
Unearned revenue		44,133	62,378
Total Liabilities		44,133	65,854
Fund Balance			
Restricted for dock improvements		15,286	14,759
Total Liabilities and Fund Balance	$	59,419	80,613

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 2,134	2,134	2,182	48	2,147
Intergovernmental	-	62,378	18,245	(44,133)	-
Investment earnings	-	-	-	-	15
Total Revenues	2,134	64,512	20,427	(44,085)	2,162
Expenditures					
Current					
Public services	4,261	66,639	19,900	46,739	5,131
Net Change in Fund Balance	$ (2,127)	(2,127)	527	2,654	(2,969)
Fund Balance Beginning of Year			14,759		17,728
Fund Balance End of Year		$	15,286		14,759

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	57,292	49,834
Accounts receivable		38	3,545
Total Assets	$	57,330	53,379
Fund Balance			
Restricted for road maintenance	$	57,330	53,379

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	$ 13,070	13,070	8,436	(4,634)	13,121
Investment earnings	-	-	-	-	10
Total Revenues	13,070	13,070	8,436	(4,634)	13,131
Expenditures					
Current					
Public services	21,836	21,836	4,485	17,351	14,721
Net Change in Fund Balance	$ (8,766)	(8,766)	3,951	12,717	(1,590)
Fund Balance Beginning of Year			53,379		54,969
Fund Balance End of Year			$ 57,330		53,379

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	6,534	7,034
Fund Balance			
Restricted for road maintenance	$	6,534	7,034

Ketchikan Gateway Borough, Alaska

Nichols View Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Investment earnings	$ -	-	-	-	1
Expenditures					
Current					
Public services	500	500	500	-	500
Net Change in Fund Balance	$ (500)	(500)	(500)	-	(499)
Fund Balance Beginning of Year			7,034		7,533
Fund Balance End of Year		$	6,534		7,034

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	81,354	61,814
Receivables:			
Intergovernmental		674	794
Property taxes		1,331	1,501
Total Assets	$	83,359	64,109
Deferred Inflows and Fund Balance			
Deferred Inflows			
Property tax revenue	$	1,331	362
Fund Balance			
Restricted for library operations		82,028	63,747
Total Deferred Inflows and Fund Balance	$	83,359	64,109

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ -	407,921	406,480	(1,441)	394,865
Investment earnings	-	-	-	-	21
Total Revenues	-	407,921	406,480	(1,441)	394,886
Expenditures					
Current					
Library services	-	405,199	405,199	-	422,570
Excess (Deficiency) of Revenues Over Expenditures	-	2,722	1,281	(1,441)	(27,684)
Other Financing Sources (Uses)					
Transfers in	-	17,000	17,000	-	16,741
Transfers out	(54,493)	-	-	-	-
Total Other Financing Sources (Uses)	(54,493)	17,000	17,000	-	16,741
Net Change in Fund Balance	$ (54,493)	19,722	18,281	(1,441)	(10,943)
Fund Balance Beginning of Year			63,747		74,690
Fund Balance End of Year		$	82,028		63,747

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	297,134	260,256
Prepaid items		77,641	75,034
Receivables:			
Accounts		40	5,997
Intergovernmental		916	-
Property taxes		3,710	753
Total Assets	$	379,441	342,040
Liabilities, Deferred Inflows and Fund Balance			
Liabilities			
Accounts payable	$	47,282	97,974
Interfund advances payable		403,294	463,740
Total Liabilities		450,576	561,714
Deferred Inflows			
Property tax revenue		2,169	1,250
Total Liabilities and Deferred Inflows		452,745	562,964
Fund Balance			
Nonspendable		77,641	75,034
Unassigned (deficit)		(150,945)	(295,958)
Total Fund Balance (Deficit)		(73,304)	(220,924)
Total Liabilities, Deferred Inflows and Fund Balance	$	379,441	342,040

Ketchikan Gateway Borough, Alaska

North Tongass Fire and EMS Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 596,056	596,056	597,426	1,370	582,485
Intergovernmental	25,368	78,644	87,456	8,812	26,641
Service area fees	112,294	112,294	114,278	1,984	115,774
Investment (loss)	-	-	(9)	(9)	(683)
EMS revenues	73,448	73,448	60,596	(12,852)	50,710
Miscellaneous revenues	-	-	223	223	-
Total Revenues	807,166	860,442	859,970	(472)	774,927
Expenditures					
Current					
Fire and EMS	742,406	795,682	732,864	62,818	611,600
Capital Outlay	91,200	91,200	50,700	40,500	59,452
Total Expenditures	833,606	886,882	783,564	103,318	671,052
Excess (Deficiency) of Revenues Over Expenditures	(26,440)	(26,440)	76,406	102,846	103,875
Other Financing Sources (Uses)					
Transfers in	71,214	71,214	71,214	-	92,214
Transfers out	-	-	-	-	(51,155)
Total Other Financing Sources (Uses)	71,214	71,214	71,214	-	41,059
Net Change in Fund Balance	$ 44,774	44,774	147,620	102,846	144,934
Fund Balance (Deficit) Beginning of Year			(220,924)		(365,858)
Fund Balance (Deficit) End of Year			$ (73,304)		(220,924)

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	2,290,499	2,329,239
Sales tax receivable		488,803	470,073
Total Assets	$	2,779,302	2,799,312
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	26,185	28,240
Fund Balance			
Restricted for recreation		2,753,117	2,771,072
Total Liabilities and Fund Balance	$	2,779,302	2,799,312

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 1,797,710	1,797,710	1,698,074	(99,636)	1,711,478
Intergovernmental	238,233	238,233	246,992	8,759	244,297
Penalties and interest	4,000	4,000	5,948	1,948	6,130
Investment earnings	500	500	-	(500)	464
Total Revenues	2,040,443	2,040,443	1,951,014	(89,429)	1,962,369
Expenditures					
Current					
Public services	243,000	243,000	97,777	145,223	157,686
Capital Outlay	374,900	374,900	179,240	195,660	37,491
Total Expenditures	617,900	617,900	277,017	340,883	195,177
Excess of Revenues Over Expenditures	1,422,543	1,422,543	1,673,997	251,454	1,767,192
Other Financing Sources (Uses)					
Transfers in	177,558	177,558	177,558	-	175,081
Transfers out	(1,787,619)	(1,787,619)	(1,869,510)	(81,891)	(1,676,107)
Total Other Financing Sources (Uses)	(1,610,061)	(1,610,061)	(1,691,952)	(81,891)	(1,501,026)
Net Change in Fund Balance	$ (187,518)	(187,518)	(17,955)	169,563	266,166
Fund Balance Beginning of Year			2,771,072		2,504,906
Fund Balance End of Year			$ 2,753,117		2,771,072

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	153,183	125,178
Receivables:			
Accounts		9,395	10,816
Intergovernmental		811	-
Property taxes		631	835
Total Assets	$	164,020	136,829
Liabilities, Deferred Inflows and Fund Balance			
Liabilities			
Accounts payable	$	18,594	17,310
Deferred Inflows			
Property tax revenues		-	5
Total Liabilities and Deferred Inflows		18,594	17,315
Fund Balance			
Restricted for public safety and water		145,426	119,514
Total Liabilities, Deferred Inflows and Fund Balance	$	164,020	136,829

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	$ 465,674	465,674	468,588	2,914	448,517
Intergovernmental	43,835	85,491	67,999	(17,492)	17,396
Water fees	237,276	237,276	251,863	14,587	217,149
Investment earnings	-	-	-	-	36
EMS revenue	70,000	70,000	76,862	6,862	61,740
Miscellaneous	-	-	1,934	1,934	10,614
Total Revenues	816,785	858,441	867,246	8,805	755,452
Expenditures					
Current					
Fire and EMS	567,030	600,251	655,763	(55,512)	552,129
Water treatment and distribution	336,036	344,471	324,110	20,361	318,826
Capital Outlay	245,000	245,000	204,177	40,823	79,753
Total Expenditures	1,148,066	1,189,722	1,184,050	5,672	950,708
Excess (Deficiency) of Revenues Over Expenditures	(331,281)	(331,281)	(316,804)	14,477	(195,256)
Other Financing Sources					
Transfers in	342,816	342,716	342,716	-	136,883
Net Change in Fund Balance	$ 11,535	11,435	25,912	14,477	(58,373)
Fund Balance Beginning of Year			119,514		177,887
Fund Balance End of Year			$ 145,426		119,514

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	31,786	24,060
Accounts receivable		1,957	13,169
Total Assets	$	33,743	37,229
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	3,174	2,750
Interfund advances payable		53,664	67,979
Total Liabilities		56,838	70,729
Fund Balance			
Unassigned (deficit)		(23,095)	(33,500)
Total Liabilities and Fund Balance	$	33,743	37,229

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	$ 36,500	36,500	26,742	(9,758)	32,612
Investment earnings	-	-	-	-	3
Total Revenues	36,500	36,500	26,742	(9,758)	32,615
Expenditures					
Current					
Public services	29,031	29,031	16,337	12,694	11,208
Capital Outlay	-	-	-	-	75,600
Total Expenditures	29,031	29,031	16,337	12,694	86,808
Net Change in Fund Balance	$ 7,469	7,469	10,405	2,936	(54,193)
Fund Balance (Deficit) Beginning of Year			(33,500)		20,693
Fund Balance (Deficit) End of Year			$ (23,095)		(33,500)

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CAPITAL PROJECTS FUND

Capital Projects Fund – This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	10,777	865,590
Restricted cash and investments		3,543,492	5,454,427
Total Assets	$	3,554,269	6,320,017
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$	76,244	3,565
Due to component unit		-	394,067
Deposits		2,000	2,000
Interfund payable		-	156,911
Total Liabilities		78,244	556,543
Fund Balance			
Restricted for capital projects		3,476,025	5,763,474
Total Liabilities and Fund Balance	$	3,554,269	6,320,017

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Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2015 and 2014

		2015	2014
Revenues			
Investment earnings	$	1,930	2,021
Expenditures			
Current			
Public services		16,878	19,733
Capital Outlay			
Educational facilities		2,344,905	1,123,700
Total Expenditures		2,361,783	1,143,433
Excess (Deficiency) of Revenues Over Expenditures		(2,359,853)	(1,141,412)
Other Financing Sources (Uses)			
Transfers in		156,911	-
Transfers out		(84,507)	-
Total Other Financing Sources (Uses)		72,404	-
Net Change in Fund Balance		(2,287,449)	(1,141,412)
Fund Balance Beginning of Year		5,763,474	6,904,886
Fund Balance End of Year	$	3,476,025	5,763,474

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ENTERPRISE FUNDS

Airport Fund – This fund is used to account for the operations of the Ketchikan International Airport.

Wastewater Fund – This fund is used to account for the operations of the Borough's sewer systems.

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Net Position
June 30, 2015 and 2014

		2015	2014
Assets			
Current Assets			
Prepaid items	$	33,042	75,948
Receivables:			
Accounts		853,968	265,334
Intergovernmental		47,198	71,052
Total Current Assets		934,208	412,334
Noncurrent Assets			
Capital Assets			
Non-depreciable		310,132	2,656,499
Depreciable, net		18,400,300	16,688,134
Total Noncurrent Assets		18,710,432	19,344,633
Total Assets		19,644,640	19,756,967
Deferred outflows, related to pensions		212,639	-
Total Assets and Deferred Outflows	$	19,857,279	19,756,967
Liabilities			
Current Liabilities			
Accounts payable	$	152,521	98,008
Interfund advances payable		29,303	28,452
Compensated absences payable		189,997	156,313
Total Current Liabilities		371,821	282,773
Long-Term Liabilities, Net of Current Portion			
Compensated absences payable		34,821	65,301
Net pension liabiilty		1,975,067	-
Interfund advances payable		126,479	155,782
Interfund payable		376,854	538,477
Total Long-Term Liabilities		2,513,221	759,560
Total Liabilities		2,885,042	1,042,333
Deferred inflows, related to pensions		228,187	-
Total Liabilities and Deferred Inflows		3,113,229	1,042,333
Net Position			
Net investment in capital assets		18,710,432	19,344,633
Restricted for bond reserve		-	-
Unrestricted (deficit)		(1,966,382)	(629,999)
Total Net Position	$	16,744,050	18,714,634

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2015 and 2014

		2015	2014
Operating Revenues			
Charges for services	$	4,694,448	4,401,938
Operating Expenses			
Personnel services		3,015,975	3,130,485
Supplies and services		1,277,789	1,427,860
Insurance		224,993	253,555
Depreciation		1,094,695	975,268
Total Operating Expenses		5,613,452	5,787,168
Operating Loss		(919,004)	(1,385,230)
Non-Operating Revenues (Expenses)			
Interest and fiscal charges		(5,211)	(6,048)
Gain on disposal of capital assets		-	4,255
Operating grants		175,172	310,303
Total Non-Operating Revenues (Expenses)		169,961	308,510
Income (Loss) Before Capital Contributions and Transfers		(749,043)	(1,076,720)
Capital contributions		487,172	1,865,802
Transfers in		272,424	184,881
Change in Net Position		10,553	973,963
Net Position Beginning of Year as Restated (Note 2A)		16,733,497	17,740,671
Net Position End of Year	$	16,744,050	18,714,634

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

		2015	2014
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$	4,105,814	4,464,590
Cash payments to employees for services		(3,003,293)	(3,152,685)
Cash payments for goods and services		(1,405,363)	(1,729,453)
Net Cash Provided by (Used in) Operating Activities		(302,842)	(417,548)
Cash Flows from Noncapital Financing Activities			
Interfund payable		(161,623)	(148,529)
Operating grants		199,026	277,058
Transfers in		272,424	184,881
Net Cash Provided by Noncapital Financing Activities		309,827	313,410
Cash Flows from Capital and Related Financing Activities			
Sale of capital assets		-	4,255
Capital grant		487,172	1,865,802
Interest paid on debt service		(5,211)	(6,048)
Interfund advance payable		(28,452)	(27,613)
Payments for capital acquisitions		(460,494)	(1,984,327)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(6,985)	(147,931)
Net Increase (Decrease) in Cash and Cash Equivalents		-	(252,069)
Cash and Cash Equivalents Beginning of Year		-	252,069
Cash and Cash Equivalents End of Year	$	-	-

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

(continued)

		2015	2014
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating (Loss)	$	(919,004)	(1,385,230)
Adjustments:			
Depreciation		1,094,695	975,268
Amortization of deferred outflow for pension		(50,554)	-
Amortization of deferred inflow for pension		228,187	-
(Increase) Decrease in Assets:			
Accounts receivable		(588,634)	62,652
Prepaid items		42,906	(75,802)
Increase (Decrease) in Liabilities:			
Accounts payable		54,513	27,764
Compensated absences payable		3,204	(22,200)
Net pension liability		(168,155)	-
Net Cash Provided by (Used in) Operating Activities	$	(302,842)	(417,548)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position
June 30, 2015 and 2014

		2015	2014
Assets			
Current Assets			
Cash and investments	$	523,497	718,366
Accounts receivable		43,881	33,039
Total Current Assets		567,378	751,405
Noncurrent Assets			
Capital Assets			
Depreciable, net		9,445,709	9,786,841
Total Assets	$	10,013,087	10,538,246
Liabilities			
Current Liabilities			
Accounts payable	$	32,703	38,620
Interfund advances payable		41,387	77,217
Total Current Liabilities		74,090	115,837
Long-Term Liabilities			
Interfund advances payable (net of current portion)		263,176	304,564
Total Liabilities		337,266	420,401
Net Position			
Net investment in capital assets		9,445,709	9,786,841
Unrestricted		230,112	331,004
Total Net Position	$	9,675,821	10,117,845

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2015 and 2014

		2015	2014
Operating Revenues			
Charges for services	$	656,048	596,426
Operating Expenses			
Personnel services		216,438	171,955
Supplies and services		501,356	390,945
Insurance		5,313	5,724
Depreciation		356,496	357,067
Total Operating Expenses		1,079,603	925,691
Less recovery of expenses from other funds		(1,596)	(1,596)
Net Operating Expenses		1,078,007	924,095
Operating Loss		(421,959)	(327,669)
Non-Operating Revenues (Expenses)			
Interest and fiscal charges		(20,065)	(23,931)
Gain on disposal of capital assets		-	66,450
Investment earnings		-	165
Total Non-Operating Revenues (Expenses)		(20,065)	42,684
Change in Net Position		(442,024)	(284,985)
Net Position Beginning of Year		10,117,845	10,402,830
Net Position End of Year	$	9,675,821	10,117,845

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

		2015	2014
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$	645,206	600,365
Cash payments to employees for services		(216,438)	(171,955)
Cash payments for goods and services		(510,990)	(456,447)
Net Cash Provided by (Used in) Operating Activities		(82,222)	(28,037)
Cash Flows from Capital and Related Financing Activities			
Sale of capital assets		-	66,450
Interest paid on debt service		(20,065)	(23,931)
Interfund advance payable		(77,218)	(73,352)
Payments for capital acquisitions		(15,364)	(21,200)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(112,647)	(52,033)
Cash Flows from Investing Activities			
Investment earnings (loss)		-	165
Net Increase (Decrease) in Cash and Cash Equivalents		(194,869)	(79,905)
Cash and Cash Equivalents Beginning of Year		718,366	798,271
Cash and Cash Equivalents End of Year	$	523,497	718,366

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

(Continued)

		2015	2014
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating (Loss)	$	(421,959)	(327,669)
Adjustments:			
Depreciation		356,496	357,067
(Increase) Decrease in Assets:			
Accounts receivable		(10,842)	3,939
Increase (Decrease) in Liabilities:			
Accounts payable		(5,917)	(61,374)
Net Cash Provided by (Used in) Operating Activities	$	(82,222)	(28,037)

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INTERNAL SERVICE FUNDS

Meritain School District Insurance – This fund is used to account for health insurance premiums paid on behalf of and by School District employees and for health insurance claims paid for School District employees.

Meritain Borough Insurance – This fund is used to account for health insurance premiums paid on behalf of Borough employees and for health insurance claims paid for Borough employees.

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Net Position (Deficit)
June 30, 2015

		Meritain School District	Meritain Borough	Total Internal Service Funds
Current Assets				
Cash and investments	$	-	55,226	55,226
Noncurrent Assets				
Note receivable		416,538	-	416,538
Total Assets	$	416,538	55,226	471,764
Current Liabilities				
Claims payable		168,207	91,199	259,406
Noncurrent Liabilities				
Interfund payable	$	248,331	-	248,331
Total Liabilities		168,207	91,199	259,406
Net Position				
Unrestricted (deficit)	$	-	(35,973)	(35,973)

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Revenues,
Expenses and Changes in Fund Net Position (Deficit)
For the Year Ended June 30, 2015

		Meritain School District	Meritain Borough	Total Internal Service Funds
Operating Revenues				
Insurance premiums	$	4,677,856	2,342,607	7,020,463
Operating Expenses				
Administration		763,018	288,554	1,051,572
Premiums		-	349,679	349,679
Claims		3,914,838	1,902,812	5,817,650
Total Operating Expenses		4,677,856	2,541,045	7,218,901
Change in Net Position		-	(198,438)	(198,438)
Net Position Beginning of Year		-	162,465	162,465
Net Position (Deficits) End of Year	$	-	(35,973)	(35,973)

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2015

		Meritain School District	Meritain Borough	Total Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	$	4,721,776	2,342,607	7,064,383
Cash payments for goods and services		(763,018)	(638,233)	(1,401,251)
Cash payments for claims		(4,012,208)	(1,871,813)	(5,884,021)
Net Cash Provided by (Used in) Operating Activities		(53,450)	(167,439)	(220,889)
Cash Flows from Noncapital Financing Activities				
Interfund payable		53,450	-	53,450
Net Increase (Decrease) in Cash and Cash Equivalents		-	(167,439)	(167,439)
Cash and Cash Equivalents Beginning of Year		-	222,665	222,665
Cash and Cash Equivalents End of Year	$	-	55,226	55,226
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	$	-	(198,438)	(198,438)
Decrease (Increase) in Assets:				
Note receivable		43,920	-	43,920
Increase (Decrease) in Liabilities:				
Claims payable		(97,370)	30,999	(66,371)
Net Cash Provided by (Used in) Operating Activities	$	(53,450)	(167,439)	(220,889)

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Ketchikan Gateway Borough, Alaska

Meritain School District Insurance Internal Service Fund

Comparative Statement of Net Position

June 30, 2015 and 2014

		2015	2014
Noncurrent Assets			
Note Receivable	$	416,538	460,458
Current Liabilities			
Claims payable	**$**	168,207	265,577
Noncurrent Liabilities			
Interfund payable		248,331	194,881
Total Liabilities		416,538	460,458
Net Position			
Unrestricted	$	-	-

Ketchikan Gateway Borough, Alaska

Meritain School District Insurance Internal Service Fund

Comparative Statement of Revenues,

Expenses and Changes in Net Position

For the Years Ended June 30, 2015 and 2014

		2015	2014
Operating Revenues			
Insurance premiums	$	4,677,856	4,944,955
Operating Expenses			
Administration		763,018	653,033
Claims		3,914,838	4,291,942
Total Operating Expenses		4,677,856	4,944,975
Operating Income (Loss)		-	(20)
Non-Operating Revenues			
Investment earnings		-	20
Change in Net Position		-	-
Net Position Beginning of Year, as restated for 2014		-	-
Net Position End of Year	$	-	-

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Net Position (Deficit)
June 30, 2015 and 2014

		2015	2014
Assets			
Cash and investments	$	55,226	222,665
Current Liabilities			
Interfund payable	$	-	-
Claims payable		91,199	60,200
Total Current Liabilities		91,199	60,200
Net Position			
Unrestricted (deficit)	$	(35,973)	162,465

Ketchikan Gateway Borough, Alaska

Meritain Borough Insurance Internal Service Fund

Comparative Statement of Revenues,

Expenses and Changes in Fund Net Position (Deficit)

For the Years Ended June 30, 2015 and 2014

		2015	2014
Operating Revenues			
Insurance premiums	$	2,342,607	2,424,082
Operating Expenses			
Administration		288,554	272,491
Premiums		349,679	308,887
Claims		1,902,812	1,369,951
Total Operating Expenses		2,541,045	1,951,329
Change in Net Position		(198,438)	472,753
Net Position (Deficit) Beginning of Year		162,465	(310,288)
Net Position (Deficit) End of Year	$	(35,973)	162,465

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STATISTICAL SECTION

(Un-Audited)

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STATISTICAL SECTION

This section contains various tables showing historical and other financial information considered to be informative in understanding the finances of the Borough.

The following tables are included in this section:

Revenues and Expenditures/Expenses

Government-wide Statement of Net Position ..... Table 1
Changes in Net Position ..... Table 2
Fund Balances, Governmental Funds ..... Table 3
Changes in Governmental Fund Balances ..... Table 4

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Demographic Statistics ..... Table 13
Principal Employers Current Year and Nine Years Ago ..... Table 14
Miscellaneous Statistics ..... Table 15

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Table 1

KETCHIKAN GATEWAY BOROUGH

Government-wide Statement of Net Position

June 30, 2015

	Fiscal Year				
	2015	2014	2013	2012	2011
Governmental Activities					
Net investment in capital assets	$ 121,277,988	121,446,896	119,848,381	121,020,663	117,038,168
Restricted	6,819,220	7,148,989	13,928,936	9,800,504	9,326,387
Unrestricted	15,584,427	19,954,904	11,945,485	14,338,149	18,194,923
Total governmental activities net position	143,681,635	148,550,789	145,722,802	145,159,316	144,559,478
Business-type Activities					
Net investment in capital assets	28,156,141	29,131,474	28,458,282	26,857,847	17,458,210
Restricted	-	-	-	385,000	385,000
Unrestricted (deficit)	(1,771,657)	(287,748)	(413,071)	(2,838,539)	(3,141,624)
Total business-type activities net position	26,384,484	28,843,726	28,045,211	24,404,308	14,701,586
Primary Government					
Net investment in capital assets	149,434,129	150,578,370	148,306,663	147,878,510	134,496,378
Restricted	6,819,220	7,148,989	13,928,936	10,185,504	9,711,387
Unrestricted	13,812,770	19,667,156	11,532,414	11,499,610	15,053,299
Total primary government net position	$ 170,066,119	177,394,515	173,768,013	169,563,624	159,261,064

	Fiscal Year				
	2010	2009	2008	2007	2006
Governmental Activities					
Net investment in capital assets	$ 116,791,016	$ 113,763,548	103,567,159	104,167,175	$ 95,476,768
Restricted	6,749,034	6,194,066	4,801,620	4,326,398	18,489,064
Unrestricted	24,295,274	21,669,692	23,817,829	16,086,982	8,335,910
Total governmental activities net position	147,835,324	141,627,306	132,186,608	124,580,555	122,301,742
Business-type Activities					
Net investment in capital assets	17,703,199	17,756,821	18,438,737	18,878,941	19,348,852
Restricted	385,000	385,000	385,000	-	-
Unrestricted (deficit)	(3,311,312)	(3,185,352)	(2,920,876)	(2,469,759)	(2,813,429)
Total business-type activities net position	14,776,887	14,956,469	15,902,861	16,409,182	16,535,423
Primary Government					
Net investment in capital assets	134,494,215	131,520,369	122,005,896	123,046,116	114,825,620
Restricted	7,134,034	6,579,066	5,186,620	4,326,398	18,489,064
Unrestricted	20,983,962	18,484,340	20,896,953	13,617,223	5,522,481
Total primary government net position	$ 162,612,211	156,583,775	148,089,469	140,989,737	138,837,165

notes: The Borough implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change; however all terminology has been updated to reflect this revision.
The Borough implemented the provisions of GASB 68 in FY15. Only FY14 has been restated to reflect this change.

Table 2

KETCHIKAN GATEWAY BOROUGH

Changes in Net Position

June 30, 2015

	2015	2014	2013	2012	2011
Expenses					
Governmental activities:					
General government	$ 4,037,970	3,514,098	4,623,576	4,239,516	3,502,989
Fire and EMS	1,545,356	1,376,751	1,252,822	1,305,555	1,289,444
Water treatment and distribution	324,110	318,826	249,401	226,424	207,102
Library services	405,199	422,570	410,326	380,266	372,794
Parks and recreation	3,340,866	3,338,139	2,601,546	2,374,277	2,066,242
Public works	1,027,166	1,001,996	1,209,701	1,043,521	1,093,054
Public services	8,890,872	5,342,481	3,875,327	5,086,592	3,595,580
Transit	2,221,390	2,164,006	2,071,438	1,960,671	1,640,624
Automation	-	-	-	-	-
Education	15,015,738	15,357,268	14,465,416	14,300,313	15,091,534
Nondepartmental	-	-	-	-	-
Interest	2,254,374	2,310,634	2,394,406	2,504,748	2,453,966
Total governmental activities expenses	39,063,041	35,146,769	33,153,959	33,421,883	31,313,329
Business-type activities:					
Airport	5,665,297	5,679,424	5,810,984	5,262,004	4,835,323
Wastewater	1,098,072	881,576	897,029	1,176,513	1,010,836
Total business-type activities expenses	6,763,369	6,561,000	6,708,013	6,438,517	5,846,159
Total primary government expenses	45,826,410	41,707,769	39,861,972	39,860,400	37,159,488
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	253,670	238,838	254,234	317,569	242,335
Water treatment and distribution	251,863	217,149	193,081	176,394	177,610
Parks and recreation	775,960	753,563	732,284	565,998	538,013
Public services	1,559,619	1,256,400	1,239,091	911,068	862,291
Transit	200,588	222,236	242,111	217,131	184,624
Education	4,677,856	4,937,191	4,295,465	3,769,524	3,535,740
Capital grants	5,828,520	4,503,237	3,529,066	5,154,055	6,426,775
Operating grants	3,181,765	4,072,710	3,738,574	2,431,499	904,866
Nondepartmental	-	-	-	-	-
Total governmental activities program revenues	16,729,841	16,201,324	14,223,906	13,543,238	12,872,254
Business-type activities:					
Charges for services:					
Airport	4,694,448	4,401,938	3,878,788	3,973,769	3,633,607
Wastewater	656,048	596,426	555,396	760,358	702,530
Operating grants	7,386	73,994	2,710,000	42,959	79,122
Capital grants	487,172	1,865,802	1,310,860	10,016,959	556,653
Total business-type activities program revenues	5,845,054	6,938,160	8,455,044	14,794,045	4,971,912
Total primary government program revenues	22,574,895	23,139,484	22,678,950	28,337,283	17,844,166
Net (Expense) Revenue					
Governmental activities	(22,333,200)	(18,945,445)	(18,930,053)	(19,878,645)	(18,441,075)
Business-type activities	(918,315)	377,160	1,747,031	8,355,528	(874,247)
Total primary government net expense	(23,251,515)	(18,568,285)	(17,183,022)	(11,523,117)	(19,315,322)
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	8,359,993	8,169,731	7,890,521	8,746,139	9,015,302
Sales taxes	8,553,791	8,625,653	8,682,819	8,316,512	8,105,296
Payment in lieu of taxes	1,052,512	1,131,659	1,035,188	1,054,735	1,020,959
Grants and entitlements not restricted	3,466,541	3,598,414	3,559,577	3,353,441	3,451,680
Transfers	(272,424)	(184,881)	(1,652,342)	(439,935)	(632,983)
Investment earnings	49,504	54,254	59,449	(114,092)	650,810
Property sales (loss on reaquisitions)	-	-	-	-	(7,313,222)
Bond issuance costs	-	-	-	-	-
Miscellaneous	400,057	378,601	354,128	351,236	867,387
Write off delinquent note	-	-	-	(789,553)	-
Settlement	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	21,609,974	21,773,431	19,929,340	20,478,483	15,165,229
Business-type activities:					
Unrestricted grant/investment earnings	167,786	236,474	241,530	907,259	165,963
Transfers	272,424	184,881	1,652,342	439,935	632,983
Total business-type activities general revenues and other changes in net position	440,210	421,355	1,893,872	1,347,194	798,946
Total primary government general revenues and other changes in net position	22,050,184	22,194,786	21,823,212	21,825,677	15,964,175
Changes in Net Position					
Governmental activities	(723,226)	2,827,986	999,287	599,838	(3,275,846)
Business-type activities	(478,105)	798,515	3,640,903	9,702,722	(75,301)
Total primary government, change in net postion	$ (1,201,331)	$ 3,626,501	4,640,190	10,302,560	(3,351,147)

notes:

The Borough implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change.; however all terminology has been updated to reflect this revision.

The Borough implemented the provisions of GASB 68 in FY15. Only FY14 has been restated to reflect this change.

Table 2

KETCHIKAN GATEWAY BOROUGH

Changes in Net Position, Continued

June 30, 2015

Fiscal Year	2010	2009	2008	2007	2006
Expenses					
Governmental activities:					
General government	$ 3,198,263	3,098,135	3,105,409	3,306,674	2,834,490
Fire and EMS	1,249,053	1,207,673	1,219,557	-	-
Water treatment and distribution	228,725	246,479			
Library services	371,886	420,190	420,100	420,565	396,468
Parks and recreation	2,004,219	1,658,671	1,883,894	-	-
Public works	1,391,689	1,388,867	1,248,572	-	-
Public services	4,162,195	5,415,283	1,908,428	8,308,680	7,824,163
Transit	1,427,218	1,149,142	1,075,033	-	-
Automation	-	-	-	364,331	355,000
Education	16,017,284	14,401,413	13,522,531	13,321,747	9,595,422
Nondepartmental	-	-	-	-	3,063,471
Interest	1,540,248	1,299,122	1,405,115	1,613,241	1,541,048
Total governmental activities expenses	31,590,780	30,284,975	25,788,639	27,335,238	25,610,062
Business-type activities:					
Airport	4,625,758	4,758,390	4,312,540	4,599,434	4,189,888
Wastewater	912,252	1,095,332	890,038	1,073,625	882,954
Total business-type activities expenses	5,538,010	5,853,722	5,202,578	5,673,059	5,072,842
Total primary government expenses	37,128,790	36,138,697	30,991,217	33,008,297	30,682,904
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	236,534	234,659	360,311	-	-
Water treatment and distribution	165,463	132,884	-	-	-
Parks and recreation	410,238	446,557	458,064	-	-
Public services	684,279	668,042	405,626	1,314,590	1,530,858
Transit	179,729	160,764	140,721	-	-
Education	3,153,995	2,849,699	3,020,959	-	-
Capital grants	8,369,771	10,990,255	4,059,938	2,981,744	2,885,920
Operating grants	705,498	555,861	498,425	2,007,935	2,442,331
Nondepartmental	-	-	-	2,936,900	2,534,223
Total governmental activities program revenues	13,905,507	16,038,721	8,944,044	9,241,169	9,393,332
Business-type activities:					
Charges for services:					
Airport	3,283,332	3,424,190	3,759,832	3,387,681	3,742,327
Wastewater	576,803	583,196	613,663	592,620	733,104
Operating grants	128,193	72,412	152,035	62,188	-
Capital grants	638,665	28,392	8,685	640,921	-
Total business-type activities program revenues	4,626,993	4,108,190	4,534,215	4,683,410	4,475,431
Total primary government program revenues	18,532,500	20,146,911	13,478,259	13,924,579	13,868,763
Net (Expense) Revenue					
Governmental activities	(17,685,273)	(14,246,254)	(16,844,595)	(18,094,069)	(16,216,730)
Business-type activities	(911,017)	(1,745,532)	(668,363)	(989,649)	(597,411)
Total primary government net expense	(18,596,290)	(15,991,786)	(17,512,958)	(19,083,718)	(16,814,141)
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	9,491,422	10,233,372	11,133,400	10,350,075	10,170,210
Sales taxes	7,974,171	8,430,433	6,843,335	6,333,019	6,267,181
Payment in lieu of taxes	1,036,032	1,366,194	579,736	581,662	11,031
Grants and entitlements not restricted	3,677,791	3,815,114	3,615,710	319,748	-
Transfers	(625,258)	(374,452)	(222,905)	(841,611)	(289,502)
Investment earnings	361,309	275,681	1,511,764	1,552,003	845,592
Property sales (loss on reaquisitions)	1,650,939	(909,920)	599,456	699,150	1,886,734
Bond issuance costs			-	-	14,927
Miscellaneous	326,885	850,530	390,152	408,748	375,565
Write off delinquent note	-	-	-	-	-
Settlement	-	-	-	970,088	-
Total governmental activities general revenues and other changes in net position	23,893,291	23,686,952	24,450,648	20,372,882	19,281,738
Business-type activities:					
Unrestricted grant/investment earnings	106,177	424,688	96,969	21,797	6,127
Transfers	625,258	374,452	222,905	841,611	289,502
Total business-type activities general revenues and other changes in net position	731,435	799,140	319,874	863,408	295,629
Total primary government general revenues and other changes in net position	24,624,726	$ 24,486,092	24,770,522	21,236,290	19,577,367
Changes in Net Position					
Governmental activities	6,208,018	9,440,698	7,606,053	2,278,813	3,065,008
Business-type activities	(179,582)	(946,392)	(348,489)	(126,241)	(301,782)
Total primary government, change in net postion	$ 6,028,436	$ 8,494,306	7,257,564	2,152,572	2,763,226

Table 3

KETCHIKAN GATEWAY BOROUGH

Fund Balances, Governmental Funds
June 30, 2015

	Fiscal Year				
	2015	2014	2013	2012	2011
General Fund					
Committed	$ -	-	-	-	123,675
Unassigned	10,301,525	7,790,668	6,276,521	6,860,808	6,550,394
Total general fund	10,301,525	7,790,668	6,276,521	6,860,808	6,674,069
All other governmental funds					
Reserved					
Capital projects funds	-	-	-	-	-
Unreserved, report in:					
Special revenue funds	-	-	-	-	-
Nonspendable	138,424	2,055,751	2,557,461	4,288,124	4,538,151
Restricted	9,053,941	12,912,463	13,928,936	9,800,504	29,263,760
Committed	9,167,824	6,650,448	6,310,341	4,285,593	1,683,538
Assigned	2,061,142	5,361,936	5,918,222	5,034,099	6,554,142
Unassigned	(306,001)	(789,399)	(1,187,887)	(548,946)	(603,953)
Total all other governmental funds	20,115,330	26,191,199	27,527,073	22,859,374	41,435,638
Total Governmental Funds	$ 30,416,855	33,981,867	33,803,594	29,720,182	48,109,707

	Fiscal Year				
	2010	2009	2008	2007	2006
General Fund					
Reserved	$ 30,420	110,576	65,191	28,245	192,230
Unreserved	5,991,166	5,525,115	2,809,698	1,429,143	1,725,796
Total general fund	6,021,586	5,635,691	2,874,889	1,457,388	1,918,026
All other governmental funds					
Reserved	10,780,900	10,223,588	16,511,974	16,723,780	18,385,389
Capital projects funds	23,845,433	1,697,272	(4,415,280)	(8,167,617)	(4,852,950)
Unreserved, report in:					
Special revenue funds	15,676,744	11,341,183	4,779,458	2,885,986	4,022,884
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	50,303,077	23,262,043	16,876,152	11,442,149	17,555,323
Total Governmental Funds	$ 56,324,663	28,897,734	19,751,041	12,899,537	19,473,349

Note: The Borough adopted the provisions of GASB Statement 54 regarding fund balance classifications in FY 2011. Prior years have not been restated.

Table 4

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances
June 30, 2015

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	$ 16,939,761	16,805,205	16,492,010	17,052,595	17,182,814	17,471,661	18,673,487	17,935,890	16,576,094	16,437,391
Intergovernmental	11,454,346	9,787,808	8,236,478	9,372,872	8,420,951	11,475,300	14,401,276	6,509,226	5,833,389	5,339,281
Licenses and permits	275	90	835	11,543	14,168	11,108	20,333	26,800	34,060	35,140
Water fees	251,863	217,149	193,081	176,394	177,610	165,463	-	-	-	-
Charges for services	2,787,628	2,460,333	2,460,017	1,984,455	1,736,329	1,496,472	1,621,604	1,337,715	1,280,530	1,495,718
Commercial vessel passenger tax	2,032,375	2,240,210	1,977,770	1,947,248	2,095,324	2,313,793	2,326,147	2,244,585	-	-
Interest Subsidy	458,053	606,982	600,911	615,002	547,193	-	-	-	-	-
Investment earnings	49,504	54,234	59,449	(114,090)	710,139	354,644	272,695	612,485	1,473,267	845,592
Proceeds from sale of property	87,322	473,320	-	1,632,855	69,000	3,555,179	-	1,248,605	856,220	2,692,193
Miscellaneous	401,991	389,216	360,996	367,004	330,620	330,086	317,622	390,359	408,748	375,565
Total Revenues	34,463,118	33,034,547	30,381,547	33,045,878	31,284,148	37,173,706	37,633,164	30,305,665	26,462,308	27,220,880
Expenditures										
General government	4,023,951	3,584,249	3,613,270	3,523,762	3,222,852	2,718,432	2,512,572	2,882,789	2,704,745	2,627,499
Library services	405,199	422,570	410,326	380,266	372,794	371,886	420,190	420,100	420,565	396,468
Fire and EMS	1,388,627	1,163,729	1,055,508	1,070,550	1,058,292	1,020,905	992,333	978,225	-	-
Water treatment and distribution	324,110	318,826	249,401	226,424	209,885	229,160	246,731	-	-	-
Public services	8,298,452	4,730,443	3,324,609	4,615,631	3,218,115	3,896,096	5,144,229	1,720,168	6,129,496	6,970,230
Parks and recreation	2,325,059	2,306,465	2,303,059	2,135,115	1,786,992	1,778,070	1,421,501	1,656,144	-	-
Public works	1,093,458	1,030,382	1,182,394	1,018,329	1,066,171	1,325,648	1,305,296	1,203,440	-	-
Transit	2,173,103	1,994,798	1,862,205	1,805,799	1,542,359	1,285,049	1,023,517	1,022,749	-	-
Automation	-	-	-	-	-	-	-	-	339,083	324,728
Education	7,899,000	8,050,000	8,239,518	8,650,000	9,411,000	9,617,935	9,068,223	8,123,054	8,895,922	8,227,112
Nondepartmental	272,048	260,433	227,909	215,849	378,305	376,593	539,397	219,754	492,028	365,323
Capital Outlay	3,689,268	2,888,235	2,257,159	21,037,970	19,492,677	6,484,687	2,683,114	4,307,042	10,386,898	12,981,780
Debt Service:	-									
Principal retirement	3,465,000	3,358,741	2,936,443	2,994,753	2,567,666	2,331,677	2,363,282	2,376,476	2,289,756	2,102,457
Interest and fiscal charges	2,403,755	2,562,522	2,474,835	2,536,190	2,612,426	1,092,438	1,319,134	1,421,315	1,506,104	1,548,431
Bond issuance costs	17,318	-	37,962	75,066	149,870	250,738	-	-	-	-
Total Expenditures	37,778,348	32,671,393	30,174,598	50,285,704	47,089,404	32,779,314	29,039,519	26,331,256	33,164,597	35,544,028
Excess (Deficiency) of Revenues Over Expenditures	(3,315,230)	363,154	206,949	(17,239,826)	(15,805,256)	4,394,392	8,593,645	3,974,409	(6,702,289)	(8,323,148)
Other Financing Sources (Uses)										
General obligation bonds issued	2,185,000	-	4,875,000	8,070,000	8,165,000	29,490,000	-	-	-	1,100,000
Premium on bonds	129,986	-	653,805	1,287,659	58,283	372,207	-	-	-	14,927
Settlement	-	-	-	-	-	-	50,000	3,100,000	970,088	-
Transfers in	8,775,867	6,957,976	7,223,798	7,156,872	6,969,046	4,566,059	4,358,323	5,347,217	7,660,149	4,244,391
Other financing proceeds (uses)	(2,292,344)	-	-	-	-	-	877,500	-	-	-
Capital leases		-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	(7,607)
Transfers out	(9,048,291)	(7,142,857)	(8,876,140)	(7,596,807)	(7,602,029)	(5,191,317)	(4,732,775)	(5,570,122)	(8,501,760)	(4,660,671)
Payment to refunding bond escrow agent	-	-	-	(9,277,870)	-	(6,204,412)	-	-	-	-
Total Other Financing Sources (Uses)	(249,782)	(184,881)	3,876,463	(360,146)	7,590,300	23,032,537	553,048	2,877,095	128,477	691,040
Special item - write off delinquent note	-	-	-	(789,553)	-	-	-	-	-	-
Net Change in Fund Balances	$ (3,565,012)	178,273	4,083,412	(18,389,525)	(8,214,956)	27,426,929	9,146,693	6,851,504	(6,573,812)	(7,632,108)
Debt Service as a Percentage of noncapital expenditures	17.22%	19.88%	19.38%	18.91%	18.77%	13.02%	13.97%	17.24%	16.66%	16.18%

Table 5

KETCHIKAN GATEWAY BOROUGH

Assessed Value and Actual Value of Taxable Property
Changes in Assessment
June 30, 2015

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Tax-Exempt	Sr. & Vet Tax-Exempt *	Optional Tax-Exempt*	Total Assessed Value	Total Direct Tax Rate
2006	$ 675,854,500	205,767,650	80,779,650	59,666,800	74,052,800	-	-	948,015,800	7.50
2007	743,010,500	210,993,500	81,475,600	58,550,200	75,182,200	-	-	1,018,847,600	7.50
2008	837,303,700	234,295,600	90,715,200	68,550,700	79,737,000	-	-	1,151,128,200	7.20
2009	937,034,800	251,345,100	100,424,800	68,115,000	85,908,700	-	-	1,271,011,000	6.80
2010	951,009,500	278,712,800	100,810,500	67,594,600	90,099,200	-	-	1,308,028,200	6.00
2011	953,717,800	287,116,300	103,282,600	-	95,518,600	-	-	1,248,598,100	5.80
2012	1,003,522,700	302,021,300	141,685,600	-	103,105,400	36,449,100	38,151,600	1,269,523,500	5.50
2013	1,008,067,300	326,126,776	215,007,624	-	58,646,400	110,012,900	65,866,600	1,314,675,800	5.00
2014	1,116,092,800	439,325,100	288,117,100	-	194,717,156	208,527,500	91,902,044	1,348,388,300	5.00
2015	1,242,023,830	527,730,400	264,787,700	-	553,974,500	125,997,600	6,425,200	1,348,144,630	5.00

Source: Ketchikan Gateway Borough Assessment and Finance Department.
Note: Business Personal Property Tax within the Borough was repealed.

* Exemptions for 2012 forward are reported as follows:
Tax-Exempt - Total value of all exemptions granted.
Sr. & Vet Tax-Exempt - Total value of Senior Citizens and Disabled Veterans Exemptions.
Optional Tax-Exempt - Total value of all exemptions granted under AS 29.45.050. This includes the optional portion of NRHA housing, Community Purpose and the Ketchikan Shipyard.

Table 6

KETCHIKAN GATEWAY BOROUGH

Principal Property Tax Payers Current Year and Ten Years Ago
June 30, 2015

	2015			2006		
Taxpayer	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value
Cape Fox Corporation	$ 16,436,500	1	1.22%	$ 10,123,000	1	1.07%
Trident Seafoods	14,427,600	2	1.07%	6,276,100	6	0.66%
Ketchikan Dock Company	14,148,200	3	1.05%	-		0.00%
Harbor Enterprises	11,113,300	4	0.82%	6,202,700	7	0.65%
Tongass Trading Company	10,579,500	5	0.78%	8,108,600	2	0.86%
Boyer Towing Inc	9,169,000	6	0.68%	5,466,200	10	0.58%
Dock Street Building Corporation	8,714,700	7	0.65%	-		0.00%
The Landing LLC	8,342,300	8	0.62%	6,601,400	5	0.70%
ECPS Inc.	8,199,900	9	0.61%	5,563,200	9	0.59%
Alaska General Seafood	7,722,100	10	0.57%	-		0.00%
Carr-Gottstein Foods	-	-	0.00%	6,770,600	4	0.71%
Wal-Mart	-	-	0.00%	6,874,800	3	0.73%
Southeast Stevedoring	-	-	0.00%	5,595,500	8	0.59%
	-	-	-	-		
Total Principal Property Tax Payers	108,853,100		8.07%	67,582,100		7.13%
Total Assessment	1,348,144,630		100.00%	948,015,800		100.00%

Source: Ketchikan Gateway Borough Assessment Department.

Table 7

KETCHIKAN GATEWAY BOROUGH

Property Tax Levies and Collections, Last Ten Fiscal Years

June 30, 2015

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2006	$ 7,400,485	5,767,904	78%	1,630,785	7,398,689	100%
2007	7,641,357	7,213,060	94%	428,297	7,641,357	100%
2008	8,288,123	7,437,374	90%	850,551	8,287,925	100%
2009	8,642,875	7,911,034	92%	731,510	8,642,544	100%
2010	7,848,169	7,120,983	91%	718,700	7,839,683	100%
2011	7,241,869	7,201,114	99%	32,469	7,233,583	100%
2012	6,982,379	6,872,731	98%	102,981	6,975,712	100%
2013	6,573,379	6,511,100	99%	59,806	6,570,906	100%
2014	6,741,942	6,674,436	99%	1,488	6,675,924	99%
2015	6,740,723	6,707,598	100%	-	6,707,598	100%

Table 8

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category, Fiscal Years

June 30, 2015

Borough & City	Fiscal Year 2015	2014	2013	2012	2011
Contractors	$ 7,408,985	7,014,417	6,934,972	6,617,394	6,141,701
Finance, insurance, banks	1,758,236	1,961,381	2,178,110	1,852,493	2,192,021
Hotels, motels, lodges	15,818,010	14,249,033	13,585,323	13,186,969	12,603,094
Manufacturing	5,418,379	6,762,202	6,895,841	6,522,871	6,140,406
Real estate	26,302,277	25,636,228	26,642,797	25,749,712	24,485,430
Retail trade	62,368,832	62,305,233	62,405,340	62,157,151	61,376,056
Retail trade - food	50,039,466	49,865,829	49,084,609	48,643,775	46,657,847
Retail trade, bars & catering	20,151,431	19,726,322	20,205,401	19,529,853	18,350,884
Retail, automotive	14,902,462	14,906,533	14,811,657	14,955,723	14,139,519
Retail, specialty	15,018,642	14,277,823	15,284,879	15,365,461	14,635,547
Retail, var, jewelry, curios	28,846,243	28,704,086	29,027,152	27,931,301	28,413,986
Services, entertainment	4,918,276	4,551,766	4,256,518	3,997,157	3,922,744
Service, general	11,178,479	11,029,056	10,192,747	9,441,544	8,943,572
Services, professional	3,459,297	3,626,408	3,590,993	3,483,385	3,477,776
Trans, comm, utilities	68,052,102	73,692,208	73,659,093	72,233,703	66,144,540
	$ 335,641,117	338,308,525	338,755,432	331,668,492	317,625,123

	Fiscal Year 2010	2009	2008	2007	2006
Contractors	$ 6,251,223	7,215,832	6,553,234	6,386,800	6,501,297
Finance, insurance, banks	2,183,286	2,417,371	2,332,930	2,365,356	2,342,761
Hotels, motels, lodges	12,888,607	14,303,080	15,059,772	13,472,358	13,116,794
Manufacturing	5,926,608	6,103,646	6,189,634	5,613,112	5,779,607
Real estate	24,840,277	23,075,357	22,218,581	21,286,943	19,516,251
Retail trade	61,939,877	69,582,975	68,505,073	63,957,201	63,411,482
Retail trade - food	46,474,680	45,444,444	46,370,309	43,281,242	42,245,987
Retail trade, bars & catering	17,928,618	18,371,267	18,359,258	18,443,036	17,883,117
Retail, automotive	13,897,325	15,037,370	16,289,550	14,182,345	12,385,868
Retail, specialty	15,022,750	13,523,937	13,548,960	13,026,683	13,561,731
Retail, var, jewelry, curios	31,046,295	32,481,607	34,955,545	33,396,090	37,045,418
Services, entertainment	4,113,145	4,182,048	4,794,739	4,791,109	4,577,495
Service, general	9,111,881	9,331,525	8,893,378	8,378,435	8,476,623
Services, professional	3,614,729	3,598,073	4,094,957	3,955,050	4,415,091
Trans, comm, utilities	61,645,321	69,174,913	74,459,549	62,874,860	59,840,318
	$ 316,884,622	$ 333,843,445	342,625,469	315,410,620	311,099,840

Source: Ketchikan Gateway Borough Finance Department

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2015

	School G.O. Bond Debt			Revenues - School Bond - Capital Improvement Fund					Per Capita Cost		Recreation Special Revenue Fund G.O. Bonds			Rec CIP Fund		
Fiscal Year	Principal	Interest	Total	State School Debt Reimburse-ment	Misc.	1/2 cent Sales Tax	Total Revenues	Surplus Funded through the School Bond CIP Fund	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2006	$ 1,385,000	1,427,599	2,812,599	2,021,962	29,140	1,575,687	3,626,789	814,190	13,176	(62)	-	-	-	1,604,107	-	1,604,107
2007	2,255,000	1,497,735	3,752,735	2,061,057	114,789	1,603,399	3,779,245	26,510	13,089	(2)	-	-	-	1,563,234	-	1,563,234
2008	2,340,000	1,366,236	3,706,236	2,059,731	114,974	1,708,684	3,883,389	177,153	12,993	(14)	-	-	-	1,708,684	-	1,708,684
2009	2,325,000	1,287,761	3,612,761	2,059,056	13,379	1,682,200	3,754,635	141,874	12,984	(11)	-	-	-	1,682,200	-	1,682,200
2010	1,305,000	870,930	2,175,930	1,946,454	12,570	1,598,834	3,557,858	1,381,928	13,477	(103)	-	-	-	1,598,834	-	1,598,834
2011	2,008,500	1,444,053	3,452,553	2,025,976	19,593	1,614,719	3,660,288	207,735	13,686	(15)	276,500	1,002,567	1,279,067	1,614,719	290,599	45,053
2012	2,311,500	1,394,586	3,706,086	2,176,095	(12,406)	1,659,745	3,823,434	117,348	13,750	(9)	353,500	550,852	904,352	1,659,745	-	755,393
2013	2,394,500	1,366,698	3,761,198	3,353,421	81,487	1,650,132	5,085,040	1,323,842	13,938	(95)	360,500	576,507	937,007	1,650,132	330,516	382,609
2014	2,795,500	1,099,800	3,895,300	2,513,044	6,979	1,711,478	4,231,501	336,201	13,856	(24)	374,500	562,087	936,587	1,711,478	195,177	579,714
2015	2,940,000	960,914	3,900,914	2,517,988	5,948	1,698,074	4,222,010	321,096	13,825	(23)	385,000	550,852	935,852	1,698,074	277,017	485,205

Note: G.O. Bonds only

Table 10

KETCHIKAN GATEWAY BOROUGH

Ratios of General Bonded Debt Outstanding

June 30, 2015

Fiscal Year	General Obligation Bonds Governmental Type	Loans and Leases	Certificates of Participation	Total Debt	Personal Income	Total Debt/Personal Income	Percentage of Actual Taxable Value of Property (1)	Per Capita
2006	$ 33,203,086	331,295	-	33,534,381	544,695,840	6.2%	4%	2,545
2007	29,630,000	296,538	-	29,926,538	601,099,236	5.0%	3%	2,286
2008	27,290,000	260,062	-	27,550,062	602,225,550	4.6%	3%	2,120
2009	24,965,000	1,099,280	-	26,064,280	675,557,520	3.9%	2%	2,007
2010	46,810,000	586,677	-	47,396,677	701,208,310	6.8%	4%	3,517
2011	47,925,000	294,937	4,700,000	52,919,937	641,490,192	8.2%	5%	3,867
2012	44,855,000	95,184	4,570,000	49,520,184	704,907,500	7.0%	4%	3,601
2013	46,975,000	48,741	4,435,000	51,458,741	598,441,968	8.6%	4%	3,692
2014	43,805,000	-	4,295,000	48,100,000	712,974,336	6.7%	4%	3,471
2015	40,430,000	-	4,155,000	44,585,000	693,323,750	6.4%	6%	3,225

1 Assessment data in table 5

Table 11

KETCHIKAN GATEWAY BOROUGH

Direct and Overlapping Governmental Activities Debt

June 30, 2015

Governmental Unit		
Ketchikan Gateway Borough		
Total Direct Debt		
Outstanding G.O. Bonds	$	40,430,000
Certificates of Participation		4,155,000
Total Direct Debt		44,585,000
City of Ketchikan Direct Debt		59,441,445
Total Direct and Overlapping Debt	$	104,026,445

The figures reported for the City of Ketchikan reflect the amounts shown in their FY2014 Comprehensive Annual Financial Report for the year ended December 31, 2014.

Table 12

KETCHIKAN GATEWAY BOROUGH

Revenue Bond Coverage
Ketchikan International Airport
Last Ten Years
June 30, 2015

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3) Principal	Interest	Total	Coverage
2006	$ 3,756,403	3,288,967	467,436	195,000	179,420	374,420	1.25
2007	3,865,146	3,588,605	276,541	205,000	169,776	374,776	0.74
2008	4,337,157	3,593,216	743,941	220,000	159,795	379,795	1.96
2009	4,022,364	4,058,174	(35,810)	235,000	138,758	373,758	(0.10)
2010	3,768,310	3,957,424	(189,114)	250,000	127,483	377,483	(0.50)
2011	4,212,118	4,240,937	(28,819)	260,000	115,627	375,627	(0.08)
2012	4,570,795	4,617,663	(46,868)	165,000	69,393	234,393	(0.20)
2013	7,160,408	4,791,025	2,369,383	955,000	84,840	1,039,840	Redeemed
2014	5,074,329	4,811,900	262,429	-	-	-	-
2015	5,255,866	4,518,757	737,109	-	-	-	-

(1) Total revenues (including interest), plus State Operating Grants, plus revenues from Passenger Facility Charges (PFC fund).

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the Airport enterprise fund or debt defeasance transactions.

Table 13

KETCHIKAN GATEWAY BOROUGH

Demographic Statistics
Last Ten Years
June 30, 2015

					Education - (2)			
Fiscal Year	Borough Population	Personal Income	Alaska Per Capita Income - (1)	Annual Average Unemploy-ment Rate	Borough School Enrollment	Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE
2006	13,176	$ 544,695,840	41,340	7.60%	2,291	7	145	155
2007	13,089	601,099,236	45,924	5.00%	2,265	7	147	158
2008	12,993	602,225,550	46,350	6.20%	2,166	7	147	158
2009	12,984	675,557,520	52,030	7.78%	2,115	7	147	163
2010	13,477	701,208,310	52,030	7.78%	2,110	7	147	159
2011	13,686	641,490,192	46,872	7.20%	2,100	7	147	159
2012	13,750	704,907,500	51,266	7.20%	2,167	7	147	152
2013	13,938	598,441,968	42,936	4.20%	2,201	7	147	152
2014	13,856	712,974,336	51,456	6.80%	2,266	7	147	154
2015	13,825	693,323,750	50,150	6.10%	2,360	7	147	154

(1) Census and Capita Income per State of Alaska Department of Labor.
(2) http://www.eed.state.ak.us/stats/DistrictEnrollment/2015DistrictEnrollment.pdf

Table 14

Principal Employers Calendar Year 2014 and Ten Years Ago
June 30, 2015

Calendar Year	2014			2005		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Trade, Transportation and Utilities	1,659	1	22.42%	1,892	1	27.20%
Local Government	1,138	2	15.38%	1,048	2	15.07%
Educational & Health Services	931	3	12.58%	655	4	9.42%
Leisure & Hospitality	796	4	10.76%	741	3	10.65%
State of Alaska	690	5	9.33%	629	5	9.04%
Manufacturing	570	6	7.70%	454	6	6.53%
Construction	372	7	5.03%	275	9	3.95%
Fianancial Activities	366	8	4.95%	292	8	4.20%
Professional & Business Services	243	9	3.28%	211	10	3.03%
US Federal Government	234	10	3.16%	307	7	4.41%
Other	195	11	2.64%	203	11	2.92%
Natural Resource and Mining	113	12	1.53%	154	12	2.21%
Information	92	13	1.24%	95	13	1.37%
	7,399		100.00%	6,956		100.00%

Due to federal confidentiality laws employer identifying information such as employment ranges, numbers or ranking are not available. Employment by NAICS Industry Category is reflected for the Ketchikan Gateway Borough.

Source: State of Alaska, Department of Labor
http://labor.alaska.gov/research/qcew/ee05.pdf and
http://labor.alaska.gov/research/qcew/ee15.pdf

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics
June 30, 2015

Date of Incorporation & Code of Ordinances Adopted- 1963
Form of Government - Elected Assembly - Manager
Second-Class Borough

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Ketchikan Gateway Borough										
Borough, square miles	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	1,733	1,733
Revillagigedo Island, square miles	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Gravina Island, square miles	96	96	96	96	96	96	96	96	96	96
Animal Protection										
Licenses Issued	824	808	833	820	828	774	810	775	761	604
Animals Impounded	296	251	441	411	392	362	509	475	424	408
Animals Surrendered	148	161	192	303	310	296	309	278	315	395
Animals Adopted	170	162	224	209	182	130	121	109	169	158
Animals Claimed	126	117	112	124	136	161	171	184	118	149
Employees by function										
General Government	26	25	25	24	24	24	24	23	26	25
Fire and EMS	5	6	6	6	6	6	6	6	5	4
Public services	8	10	12	12	12	12	12	11	11	11
Parks and Recreation	14	14	14	14	14	14	14	14	14	14
Public works	16	15	15	16	16	16	18	18	19	20
Transit	13	9	9	9	9	9	9	10	9	9
Automation	1	1	1	1	1	1	1	1	1	1
Airport	27	27	27	27	27	27	27	27	27	28
	110	107	109	109	109	109	111	110	112	112
South Tongass Volunteer Fire Department										
Stations	2	1	1	1	1	1	1	1	1	1
Volunteers	35	36	36	35	39	43	39	40	38	40
Fire Calls	41	32	31	33	67	34	29	8	15	23
Emergency Calls/EMS Incidents	135	121	141	113	101	96	125	102	104	69
Fire Investigations	7	6	5	7	6	5	7	4	15	3
North Tongass Volunteer Fire Department										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteers	21	26	24	20	24	23	26	31	31	30
Fire Calls	10	21	40	26	24	25	43	37	28	40
Emergency Calls/EMS Incidents	154	207	156	113	126	145	149	95	84	110
Fire Investigations	1	1	1	0	0	0	0	0	0	1
Elections										
Registered Voters	10,071	9,963	9,836	10,065	10,105	10,354	10,255	10,380	10,253	10,034
Votes Cast Last Borough Election	2,204	2,233	2,407	1,554	1,849	2,127	2,189	2,456	2,528	3,138
% Voting Last Borough Election	22%	22%	24%	15%	18%	21%	21%	24%	25%	31%

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics
June 30, 2015

Date of Incorporation & Code of Ordinances Adopted- 1963
Form of Government - Elected Assembly - Manager
Second-Class Borough

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sewer & Water Plants										
Wastewater Enterprise Fund:										
Miles of Sanitary Sewers	8	8	8	6	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)	180,000	180,000	180,000	100,000	100,000	100,000	100,000	47,000	47,000	47,000
Treatment Capacity (Sewer gals)	700,000	700,000	700,000	700,000	700,000	700,000	700,000	330,000	330,000	330,000
Sewer Connections	671	660	580	522	522	522	522	257	257	257
Sludge Pumping Custormers	1,364	1,313	1,313	1,231	1,231	Not available	Not available	Not available	Not available	Not available
South Tongass Service Area:										
Water, Hydrant, Connections		480	466	402	402	402	402	327	327	327
Average Daily Treatment (Water gals)	175,000	175,000	175,000	149,533	149,533	149,533	149,533	92,580	92,580	92,580
Treatment Capacity (Water gals)	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000
Municipal Parks										
Developed Parks	15	15	15	15	15	15	15	15	15	15
Developed Acres	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564
Swimming Pools	1	1	1	1	1	1	1	1	1	2
Lighted Ball Fields	7	7	7	7	7	7	7	7	6	6
Ketchikan International Airport (Calendar YR)										
Inbound Passengers	88,301	89,013	102,390	100,568	99,072	96,160	100,851	119,376	125,295	104,906
Outbound Passengers	84,166	86,718	101,947	100,054	98,262	95,050	99,650	112,746	119,451	104,966
Airport Ferry										
Passengers	349,493	354,728	347,939	337,255	337,996	336,422	381,961	449,790	418,291	356,774
Vehicles	83,148	85,783	79,648	79,847	76,243	83,690	105,653	127,516	106,276	84,754
Transit										
Passengers	414,297	403,884	458,703	406,164	346,249	307,999	265,536	226,356	153,377	133,321
Visitor Industry										
Cruise Ship Passengers (calendar year)	800,000est	812,950	791,108	778,899	835,325	925,517	930,459	897,834	899,638	681,096

Data supplied by Ketchikan Gateway Borough Department Directors

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